PRACTICE EXAM 6: 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 is best illustrated by this description: the decision to knowingly absorb a potential loss rather than transfer it to insurance?

A. Risk retention
B. Aggregate limit
C. Scheduled personal property
D. Workers compensation

2. Which property and casualty insurance term is best illustrated by this description: language directing payment to a party with an insured financial interest in property?

A. Subrogation
B. Indirect loss
C. Texas Windstorm Insurance Association
D. Loss payable clause

3. Which property and casualty insurance term is best illustrated by this description: a chance of loss or no loss without the possibility of gain?

A. Medical payments coverage
B. Nonrenewal
C. Pure risk
D. Claims-made form

4. Which property and casualty insurance term is best illustrated by this description: money intended to reimburse an injured party for actual loss?

A. Compensatory damages
B. Hired auto
C. Premium
D. Unilateral contract

5. Which property and casualty insurance term is best illustrated by this description: language protecting a lender interest in covered property subject to stated conditions?

A. Insuring agreement
B. Mortgagee clause
C. Concealment
D. Coinsurance clause

6. Which property and casualty insurance term is best illustrated by this description: coverage for movable property, transportation exposures, and specialized property interests?

A. Fiduciary responsibility
B. Actual cash value
C. Utmost good faith
D. Inland marine insurance

7. Which property and casualty insurance term is best illustrated by this description: an exclusion commonly addressing loss caused by events such as earthquake, landslide, or earth sinking?

A. Equipment breakdown coverage
B. Nonadmitted insurer
C. Earth movement exclusion
D. Adhesion contract

8. Which property and casualty insurance term is best illustrated by this description: coverage that applies only to perils specifically listed in the policy?

A. Personal injury
B. Named-peril coverage
C. Speculative risk
D. Controlled business

9. Which property and casualty insurance term is best illustrated by this description: legal responsibility imposed on one party for the acts of another?

A. Vicarious liability
B. Risk avoidance
C. Per-occurrence limit
D. Occurrence form

10. Which property and casualty insurance term is best illustrated by this description: the portion of a covered loss that the insured retains before policy payment?

A. Deductible
B. Declarations
C. Hazard
D. Business income coverage

11. Which property and casualty insurance term is best illustrated by this description: a package policy combining personal property, dwelling, liability, and additional living expense coverages?

A. Nonowned auto
B. Exclusion
C. Homeowners policy
D. Defense costs

12. Which property and casualty insurance term is best illustrated by this description: liability assumed by an insured in a contract, subject to policy terms and exceptions?

A. Appraisal condition
B. Contractual liability
C. Proximate cause
D. Commercial property coverage form

13. Which property and casualty insurance term is best illustrated by this description: a rule reducing recovery according to the claimant share of fault?

A. Bodily injury
B. Waiver
C. Liability
D. Comparative negligence

14. Which property and casualty insurance term is best illustrated by this description: a state-created mechanism that may help pay certain covered claims of an insolvent admitted insurer?

A. Unfair discrimination
B. Risk reduction
C. Underinsured motorist coverage
D. Guaranty association

15. Which property and casualty insurance term is best illustrated by this description: coverage for property of customers while it is in the insured custody, care, or control?

A. Exposure
B. Policy replacement
C. Bailee coverage
D. Personal injury protection

16. Which property and casualty insurance term is best illustrated by this description: the state official who administers the Texas Department of Insurance and exercises assigned regulatory authority?

A. Businessowners policy
B. Commissioner of Insurance
C. Ocean marine insurance
D. Endorsement

17. Which property and casualty insurance term is best illustrated by this description: an intentional deception used to obtain an improper benefit or cause a loss?

A. Fraud
B. Occurrence
C. Advertising injury
D. Punitive damages

18. Which property and casualty insurance term is best illustrated by this description: property insurance primarily designed for a dwelling that may not qualify for a homeowners package?

A. Risk transfer
B. Employment practices liability
C. Abandonment
D. Dwelling policy

19. Which property and casualty insurance term is best illustrated by this description: the principle that loss predictions become more reliable as the number of similar exposure units increases?

A. Loss of use
B. Condition
C. Law of large numbers
D. Uninsured motorist coverage

20. Which property and casualty insurance term is best illustrated by this description: a flexible policy combining selected commercial property and liability coverage parts?

A. Commercial package policy
B. Negligence
C. Binder
D. Additional living expense

21. Which property and casualty insurance term is best illustrated by this description: coverage for certain employee injury claims not covered by workers compensation law?

A. Admitted insurer
B. Employers liability
C. Performance bond
D. Professional liability

22. Which property and casualty insurance term is best illustrated by this description: coverage for direct wind-related property damage, subject to policy terms and availability?

A. Representations
B. Texas Department of Insurance
C. Windstorm coverage
D. Certificate of authority

23. Which property and casualty insurance term is best illustrated by this description: a bond protecting an employer against dishonest acts by employees?

A. Actual authority
B. Fidelity bond
C. Excess liability policy
D. Twisting

24. Which property and casualty insurance term is best illustrated by this description: additional time to report claims after a claims-made policy ends?

A. Indemnity
B. Accident
C. Aleatory contract
D. Extended reporting period

25. Which property and casualty insurance term is best illustrated by this description: the immediate cause of loss, such as fire, theft, or collision?

A. Peril
B. Direct loss
C. Payment bond
D. Flood insurance

26. Which property and casualty insurance term is best illustrated by this description: personal excess liability coverage above required underlying personal policies?

A. Personal umbrella policy
B. Products-completed operations hazard
C. Strict liability
D. Other-than-collision coverage

27. Which property and casualty insurance term is best illustrated by this description: a condition that can restrict certain property coverage after a building is vacant for a stated period?

A. Rate
B. Property damage
C. Physical hazard
D. Vacancy provision

28. Which property and casualty insurance term is best illustrated by this description: coverage for customer autos left in the care of a garage operation?

A. Facultative reinsurance
B. Surplus lines insurance
C. Garagekeepers coverage
D. Misrepresentation

29. Which property and casualty insurance term is best illustrated by this description: coverage for necessary added expense incurred to continue operations after a covered loss?

A. Producer authority
B. Extra expense coverage
C. Morale hazard
D. Supplementary payments

30. Which property and casualty insurance term is best illustrated by this description: the legal obligation to act with reasonable care toward others?

A. Material misrepresentation
B. Rebating
C. Duty of care
D. Retroactive date

31. Which property and casualty insurance term is best illustrated by this description: a law setting the deadline for filing a legal action?

A. Defamation
B. Statute of limitations
C. Policy period
D. Salvage

32. Which property and casualty insurance term is best illustrated by this description: termination of a policy before its normal expiration date?

A. Cancellation
B. Surety bond
C. Cyber liability
D. Estoppel

33. Which property and casualty insurance term is best illustrated by this description: the most payable for all covered losses during the policy period?

A. Texas FAIR Plan Association
B. Insurable interest
C. Umbrella liability policy
D. Aggregate limit

34. Which property and casualty insurance term is best illustrated by this description: a financial consequence that follows from direct property damage?

A. Indirect loss
B. Employee dishonesty coverage
C. Directors and officers liability
D. Personal auto policy

35. Which property and casualty insurance term is best illustrated by this description: the insurer decision not to continue a policy at the end of its term?

A. Open-peril coverage
B. Underwriting
C. Builders risk coverage
D. Nonrenewal

36. Which property and casualty insurance term is best illustrated by this description: a contract in which only the insurer makes an enforceable promise to perform?

A. Commercial general liability policy
B. Unilateral contract
C. Crime coverage
D. Risk retention

37. Which property and casualty insurance term is best illustrated by this description: the policy section that broadly states what the insurer agrees to cover?

A. Loss payable clause
B. Scheduled personal property
C. Insuring agreement
D. Replacement cost

38. Which property and casualty insurance term is best illustrated by this description: replacement cost reduced by applicable depreciation?

A. Pure risk
B. Actual cash value
C. Subrogation
D. Reinsurance

39. Which property and casualty insurance term is best illustrated by this description: an insurer not licensed in the state but that may be used for eligible surplus-lines placements?

A. Nonadmitted insurer
B. Claims-made form
C. Compensatory damages
D. Apparent authority

40. Which property and casualty insurance term is best illustrated by this description: specified nonphysical offenses such as false arrest, libel, or wrongful eviction?

A. Mortgagee clause
B. Collision coverage
C. Personal injury
D. Premium

41. Which property and casualty insurance term is best illustrated by this description: the most payable for all covered injury or damage arising from one occurrence?

A. Concealment
B. Moral hazard
C. Inland marine insurance
D. Per-occurrence limit

42. Which property and casualty insurance term is best illustrated by this description: the policy section identifying the insured, coverage, limits, premium, and policy period?

A. Commercial auto policy
B. Earth movement exclusion
C. Declarations
D. Utmost good faith

43. Which property and casualty insurance term is best illustrated by this description: an auto not owned by the business but used in connection with its operations?

A. Adhesion contract
B. Workers compensation
C. Named-peril coverage
D. Nonowned auto

44. Which property and casualty insurance term is best illustrated by this description: a process for resolving a disagreement about the amount of loss?

A. Appraisal condition
B. Controlled business
C. Vicarious liability
D. Texas Windstorm Insurance Association

45. Which property and casualty insurance term is best illustrated by this description: legal responsibility for injury or damage to another person or property?

A. Deductible
B. Liability
C. Medical payments coverage
D. Occurrence form

46. Which property and casualty insurance term is best illustrated by this description: making coverage or rate distinctions among similar risks without a sound actuarial or legal basis?

A. Hazard
B. Unfair discrimination
C. Homeowners policy
D. Hired auto

47. Which property and casualty insurance term is best illustrated by this description: first-party coverage for specified medical and income-loss benefits, subject to policy terms?

A. Defense costs
B. Contractual liability
C. Personal injury protection
D. Coinsurance clause

48. Which property and casualty insurance term is best illustrated by this description: a package policy combining property and liability coverage for eligible small businesses?

A. Businessowners policy
B. Fiduciary responsibility
C. Proximate cause
D. Comparative negligence

49. Which property and casualty insurance term is best illustrated by this description: an accident, including continuous or repeated exposure to substantially the same harmful conditions?

A. Guaranty association
B. Bodily injury
C. Equipment breakdown coverage
D. Occurrence

50. Which property and casualty insurance term is best illustrated by this description: shifting financial consequences of loss to another party through insurance or contract?

A. Risk reduction
B. Risk transfer
C. Bailee coverage
D. Speculative risk

51. Which property and casualty insurance term is best illustrated by this description: coverage for injury caused by a driver without applicable liability insurance?

A. Uninsured motorist coverage
B. Commissioner of Insurance
C. Policy replacement
D. Risk avoidance

52. Which property and casualty insurance term is best illustrated by this description: coverage for necessary increased living costs when a covered loss makes a residence uninhabitable?

A. Endorsement
B. Fraud
C. Business income coverage
D. Additional living expense

53. Which property and casualty insurance term is best illustrated by this description: a surety guarantee that a contractor will perform contractual work?

A. Advertising injury
B. Dwelling policy
C. Performance bond
D. Exclusion

54. Which property and casualty insurance term is best illustrated by this description: regulatory authorization allowing an insurer to transact insurance in a state?

A. Law of large numbers
B. Employment practices liability
C. Commercial property coverage form
D. Certificate of authority

55. Which property and casualty insurance term is best illustrated by this description: authority expressly granted by the principal to an agent?

A. Waiver
B. Actual authority
C. Commercial package policy
D. Condition

56. Which property and casualty insurance term is best illustrated by this description: restoring an insured to approximately the financial position held before a covered loss?

A. Underinsured motorist coverage
B. Employers liability
C. Indemnity
D. Negligence

57. Which property and casualty insurance term is best illustrated by this description: coverage for direct physical loss by flood, commonly obtained through a separate program or policy?

A. Flood insurance
B. Admitted insurer
C. Exposure
D. Windstorm coverage

58. Which property and casualty insurance term is best illustrated by this description: liability that may be imposed without proving negligence when law assigns responsibility for a dangerous activity or product?

A. Ocean marine insurance
B. Fidelity bond
C. Strict liability
D. Representations

59. Which property and casualty insurance term is best illustrated by this description: the price per unit of insurance used to calculate a premium?

A. Rate
B. Twisting
C. Punitive damages
D. Extended reporting period

60. Which property and casualty insurance term is best illustrated by this description: insurance placed with an eligible nonadmitted insurer when coverage is unavailable in the admitted market?

A. Accident
B. Abandonment
C. Peril
D. Surplus lines insurance

61. Which property and casualty insurance term is best illustrated by this description: carelessness or indifference to loss because insurance exists?

A. Direct loss
B. Morale hazard
C. Personal umbrella policy
D. Loss of use

62. Which property and casualty insurance term is best illustrated by this description: the earliest date from which acts may be covered under a claims-made policy?

A. Other-than-collision coverage
B. Binder
C. Retroactive date
D. Vacancy provision

63. Which property and casualty insurance term is best illustrated by this description: making false malicious statements that injure an insurer or producer reputation?

A. Physical hazard
B. Garagekeepers coverage
C. Professional liability
D. Defamation

64. Which property and casualty insurance term is best illustrated by this description: a three-party guarantee that a principal will perform an obligation to an obligee?

A. Texas Department of Insurance
B. Surety bond
C. Facultative reinsurance
D. Extra expense coverage

65. Which property and casualty insurance term is best illustrated by this description: excess liability coverage that may also broaden selected underlying coverage?

A. Umbrella liability policy
B. Supplementary payments
C. Duty of care
D. Excess liability policy

66. Which property and casualty insurance term is best illustrated by this description: coverage for claims alleging wrongful acts in managing an organization?

A. Statute of limitations
B. Directors and officers liability
C. Material misrepresentation
D. Aleatory contract

67. Which property and casualty insurance term is best illustrated by this description: property coverage for a building or structure while it is under construction?

A. Builders risk coverage
B. Salvage
C. Cancellation
D. Payment bond

68. Which property and casualty insurance term is best illustrated by this description: coverage for specified losses caused by theft, employee dishonesty, forgery, or similar acts?

A. Estoppel
B. Aggregate limit
C. Crime coverage
D. Products-completed operations hazard

69. Which property and casualty insurance term is best illustrated by this description: coverage that lists individual high-value items separately with stated coverage?

A. Insurable interest
B. Property damage
C. Indirect loss
D. Scheduled personal property

70. Which property and casualty insurance term is best illustrated by this description: the insurer right to recover from a responsible third party after paying a loss?

A. Employee dishonesty coverage
B. Subrogation
C. Nonrenewal
D. Misrepresentation

71. Which property and casualty insurance term is best illustrated by this description: liability coverage generally triggered by a claim first made during the policy period?

A. Claims-made form
B. Producer authority
C. Unilateral contract
D. Underwriting

72. Which property and casualty insurance term is best illustrated by this description: the amount charged for insurance coverage?

A. Commercial general liability policy
B. Insuring agreement
C. Premium
D. Rebating

73. Which property and casualty insurance term is best illustrated by this description: failure to disclose a material fact that an applicant has a duty to reveal?

A. Actual cash value
B. Concealment
C. Policy period
D. Replacement cost

74. Which property and casualty insurance term is best illustrated by this description: the expectation that each party deals honestly and discloses material information?

A. Reinsurance
B. Nonadmitted insurer
C. Cyber liability
D. Utmost good faith

75. Which property and casualty insurance term is best illustrated by this description: a contract drafted by one party that is generally accepted without negotiation?

A. Texas FAIR Plan Association
B. Personal injury
C. Apparent authority
D. Adhesion contract

76. Which property and casualty insurance term is best illustrated by this description: insurance written primarily on the producer, family, employer, or business interests rather than the general public?

A. Controlled business
B. Per-occurrence limit
C. Personal auto policy
D. Collision coverage

77. Which property and casualty insurance term is best illustrated by this description: liability coverage triggered by injury or damage occurring during the policy period?

A. Moral hazard
B. Declarations
C. Occurrence form
D. Open-peril coverage

78. Which property and casualty insurance term is best illustrated by this description: a condition that increases the frequency or severity of a possible loss?

A. Risk retention
B. Nonowned auto
C. Commercial auto policy
D. Hazard

79. Which property and casualty insurance term is best illustrated by this description: expenses the insurer incurs to defend a covered liability claim?

A. Loss payable clause
B. Defense costs
C. Appraisal condition
D. Workers compensation

80. Which property and casualty insurance term is best illustrated by this description: the dominant cause that sets an unbroken chain of events in motion?

A. Proximate cause
B. Liability
C. Texas Windstorm Insurance Association
D. Pure risk

81. Which property and casualty insurance term is best illustrated by this description: physical injury, sickness, disease, or resulting death suffered by a person?

A. Medical payments coverage
B. Compensatory damages
C. Bodily injury
D. Unfair discrimination

82. Which property and casualty insurance term is best illustrated by this description: taking steps to decrease the frequency or severity of potential losses?

A. Hired auto
B. Personal injury protection
C. Mortgagee clause
D. Risk reduction

83. Which property and casualty insurance term is best illustrated by this description: the transaction in which new coverage causes existing coverage to be terminated, reduced, or surrendered?

A. Businessowners policy
B. Inland marine insurance
C. Policy replacement
D. Coinsurance clause

84. Which property and casualty insurance term is best illustrated by this description: a written amendment that adds, removes, or changes policy terms?

A. Endorsement
B. Fiduciary responsibility
C. Earth movement exclusion
D. Occurrence

85. Which property and casualty insurance term is best illustrated by this description: specified offenses arising from advertising activities, such as certain copyright or slogan claims?

A. Equipment breakdown coverage
B. Advertising injury
C. Named-peril coverage
D. Risk transfer

86. Which property and casualty insurance term is best illustrated by this description: coverage for specified employment-related allegations such as wrongful termination or discrimination?

A. Vicarious liability
B. Uninsured motorist coverage
C. Speculative risk
D. Employment practices liability

87. Which property and casualty insurance term is best illustrated by this description: a duty or requirement that must be met for coverage to apply or continue?

A. Additional living expense
B. Condition
C. Deductible
D. Risk avoidance

88. Which property and casualty insurance term is best illustrated by this description: failure to use the care a reasonably prudent person would use in similar circumstances?

A. Homeowners policy
B. Performance bond
C. Negligence
D. Business income coverage

89. Which property and casualty insurance term is best illustrated by this description: an insurer authorized by the state to transact insurance and subject to its regulation?

A. Admitted insurer
B. Exclusion
C. Contractual liability
D. Certificate of authority

90. Which property and casualty insurance term is best illustrated by this description: statements believed true to the applicant knowledge but not guaranteed as absolute facts?

A. Comparative negligence
B. Actual authority
C. Representations
D. Commercial property coverage form

91. Which property and casualty insurance term is best illustrated by this description: making misleading comparisons to induce a policyholder to replace or surrender coverage?

A. Indemnity
B. Guaranty association
C. Waiver
D. Twisting

92. Which property and casualty insurance term is best illustrated by this description: an unforeseen and unintended event that produces injury or damage?

A. Accident
B. Underinsured motorist coverage
C. Flood insurance
D. Bailee coverage

93. Which property and casualty insurance term is best illustrated by this description: physical damage that results immediately from a covered peril?

A. Commissioner of Insurance
B. Direct loss
C. Exposure
D. Strict liability

94. Which property and casualty insurance term is best illustrated by this description: physical damage coverage for losses other than collision, such as theft, fire, or hail?

A. Fraud
B. Ocean marine insurance
C. Rate
D. Other-than-collision coverage

95. Which property and casualty insurance term is best illustrated by this description: a tangible condition that increases the likelihood or severity of loss?

A. Punitive damages
B. Dwelling policy
C. Physical hazard
D. Surplus lines insurance

96. Which property and casualty insurance term is best illustrated by this description: reinsurance negotiated separately for an individual risk?

A. Facultative reinsurance
B. Abandonment
C. Morale hazard
D. Law of large numbers

97. Which property and casualty insurance term is best illustrated by this description: payments made in addition to liability limits for specified claim-related expenses?

A. Loss of use
B. Supplementary payments
C. Retroactive date
D. Commercial package policy

98. Which property and casualty insurance term is best illustrated by this description: a false statement that would influence an insurer underwriting decision or policy terms?

A. Binder
B. Employers liability
C. Material misrepresentation
D. Defamation

99. Which property and casualty insurance term is best illustrated by this description: remaining damaged property that has residual value after a loss?

A. Salvage
B. Windstorm coverage
C. Professional liability
D. Surety bond

100. Which property and casualty insurance term is best illustrated by this description: a rule preventing a party from asserting a right after conduct caused reasonable reliance?

A. Texas Department of Insurance
B. Estoppel
C. Fidelity bond
D. Umbrella liability policy

101. Which property and casualty insurance term is best illustrated by this description: a financial stake that would cause loss if the covered property is damaged?

A. Directors and officers liability
B. Excess liability policy
C. Extended reporting period
D. Insurable interest

102. Which property and casualty insurance term is best illustrated by this description: crime coverage for loss caused by dishonest acts of employees?

A. Builders risk coverage
B. Peril
C. Employee dishonesty coverage
D. Aleatory contract

103. Which property and casualty insurance term is best illustrated by this description: the process of evaluating risk and deciding whether and on what terms to insure it?

A. Underwriting
B. Payment bond
C. Crime coverage
D. Personal umbrella policy

104. Which property and casualty insurance term is best illustrated by this description: a policy covering common business liability exposures for bodily injury, property damage, and personal and advertising injury?

A. Products-completed operations hazard
B. Commercial general liability policy
C. Vacancy provision
D. Scheduled personal property

105. Which property and casualty insurance term is best illustrated by this description: the cost to repair or replace with like kind and quality without a depreciation deduction?

A. Replacement cost
B. Property damage
C. Garagekeepers coverage
D. Subrogation

106. Which property and casualty insurance term is best illustrated by this description: insurance purchased by an insurer to transfer part of its risk to another insurer?

A. Extra expense coverage
B. Misrepresentation
C. Claims-made form
D. Reinsurance

107. Which property and casualty insurance term is best illustrated by this description: authority a third party reasonably believes an agent has because of the principal conduct?

A. Duty of care
B. Premium
C. Producer authority
D. Apparent authority

108. Which property and casualty insurance term is best illustrated by this description: physical damage coverage for upset of a covered auto or impact with another vehicle or object?

A. Concealment
B. Collision coverage
C. Rebating
D. Statute of limitations

109. Which property and casualty insurance term is best illustrated by this description: a character-related condition that increases the chance of intentional loss?

A. Policy period
B. Utmost good faith
C. Moral hazard
D. Cancellation

110. Which property and casualty insurance term is best illustrated by this description: a policy providing liability and physical damage coverage for covered business autos?

A. Aggregate limit
B. Commercial auto policy
C. Adhesion contract
D. Cyber liability

111. Which property and casualty insurance term is best illustrated by this description: statutory coverage for employment-related injury or disease without ordinary negligence litigation?

A. Workers compensation
B. Indirect loss
C. Texas FAIR Plan Association
D. Controlled business

112. Which property and casualty insurance term is best illustrated by this description: the Texas residual market mechanism that may provide windstorm and hail coverage in designated areas when eligibility requirements are met?

A. Personal auto policy
B. Nonrenewal
C. Texas Windstorm Insurance Association
D. Occurrence form

113. Which property and casualty insurance term is best illustrated by this description: coverage for reasonable medical expenses regardless of fault, subject to policy terms?

A. Open-peril coverage
B. Unilateral contract
C. Hazard
D. Medical payments coverage

114. Which property and casualty insurance term is best illustrated by this description: an auto the insured leases, hires, rents, or borrows for business use?

A. Insuring agreement
B. Risk retention
C. Defense costs
D. Hired auto

115. Which property and casualty insurance term is best illustrated by this description: a condition requiring insurance to equal a stated percentage of property value to avoid a penalty?

A. Coinsurance clause
B. Actual cash value
C. Proximate cause
D. Loss payable clause

116. Which property and casualty insurance term is best illustrated by this description: the duty to handle premiums and client funds honestly and separately from personal funds?

A. Bodily injury
B. Fiduciary responsibility
C. Nonadmitted insurer
D. Pure risk

117. Which property and casualty insurance term is best illustrated by this description: coverage for certain direct damage and loss caused by covered mechanical or electrical breakdown?

A. Compensatory damages
B. Personal injury
C. Equipment breakdown coverage
D. Risk reduction

118. Which property and casualty insurance term is best illustrated by this description: a chance of loss, no loss, or gain?

A. Mortgagee clause
B. Policy replacement
C. Speculative risk
D. Per-occurrence limit

119. Which property and casualty insurance term is best illustrated by this description: eliminating an exposure so that the potential loss cannot occur?

A. Declarations
B. Inland marine insurance
C. Endorsement
D. Risk avoidance

120. Which property and casualty insurance term is best illustrated by this description: coverage for lost income and continuing normal operating expenses after covered property damage?

A. Nonowned auto
B. Business income coverage
C. Advertising injury
D. Earth movement exclusion

121. Which property and casualty insurance term is best illustrated by this description: policy language removing specified causes, property, persons, or losses from coverage?

A. Exclusion
B. Appraisal condition
C. Employment practices liability
D. Named-peril coverage

122. Which property and casualty insurance term is best illustrated by this description: a form addressing direct physical loss or damage to covered business property?

A. Vicarious liability
B. Commercial property coverage form
C. Liability
D. Condition

123. Which property and casualty insurance term is best illustrated by this description: the intentional relinquishment of a known right?

A. Unfair discrimination
B. Negligence
C. Deductible
D. Waiver

124. Which property and casualty insurance term is best illustrated by this description: coverage that can apply when an at-fault driver liability limits are insufficient?

A. Underinsured motorist coverage
B. Homeowners policy
C. Admitted insurer
D. Personal injury protection

125. Which property and casualty insurance term is best illustrated by this description: a condition or situation that creates the possibility of loss?

A. Businessowners policy
B. Representations
C. Exposure
D. Contractual liability

126. Which property and casualty insurance term is best illustrated by this description: coverage for vessels, cargo, and related maritime interests?

A. Twisting
B. Comparative negligence
C. Ocean marine insurance
D. Occurrence

127. Which property and casualty insurance term is best illustrated by this description: money intended to punish particularly wrongful conduct rather than compensate loss?

A. Punitive damages
B. Risk transfer
C. Accident
D. Guaranty association

128. Which property and casualty insurance term is best illustrated by this description: an attempted transfer of damaged property to an insurer without policy authority?

A. Direct loss
B. Bailee coverage
C. Uninsured motorist coverage
D. Abandonment

129. Which property and casualty insurance term is best illustrated by this description: coverage for certain economic consequences of inability to use covered property after a covered loss?

A. Commissioner of Insurance
B. Loss of use
C. Additional living expense
D. Other-than-collision coverage

130. Which property and casualty insurance term is best illustrated by this description: temporary evidence of insurance pending issuance of a policy?

A. Performance bond
B. Physical hazard
C. Fraud
D. Binder

131. Which property and casualty insurance term is best illustrated by this description: coverage for claims alleging negligent professional services or errors and omissions?

A. Certificate of authority
B. Dwelling policy
C. Professional liability
D. Facultative reinsurance

132. Which property and casualty insurance term is best illustrated by this description: the state agency that regulates the Texas insurance industry and enforces insurance laws?

A. Supplementary payments
B. Texas Department of Insurance
C. Actual authority
D. Law of large numbers

133. Which property and casualty insurance term is best illustrated by this description: coverage that increases limits above a designated underlying policy without necessarily broadening coverage?

A. Excess liability policy
B. Material misrepresentation
C. Commercial package policy
D. Indemnity

134. Which property and casualty insurance term is best illustrated by this description: a contract in which the exchange of values may be unequal because payment depends on chance?

A. Employers liability
B. Salvage
C. Flood insurance
D. Aleatory contract

135. Which property and casualty insurance term is best illustrated by this description: a surety guarantee that certain labor and material obligations will be paid?

A. Windstorm coverage
B. Payment bond
C. Estoppel
D. Strict liability

136. Which property and casualty insurance term is best illustrated by this description: liability arising from products or completed work after possession or work is finished?

A. Products-completed operations hazard
B. Fidelity bond
C. Rate
D. Insurable interest

137. Which property and casualty insurance term is best illustrated by this description: physical injury to tangible property, including resulting loss of use?

A. Extended reporting period
B. Employee dishonesty coverage
C. Property damage
D. Surplus lines insurance

138. Which property and casualty insurance term is best illustrated by this description: making a false or misleading statement about a policy, insurer, or insurance benefit?

A. Misrepresentation
B. Morale hazard
C. Underwriting
D. Peril

139. Which property and casualty insurance term is best illustrated by this description: the power granted to an agent or producer to act for an insurer within defined limits?

A. Commercial general liability policy
B. Producer authority
C. Retroactive date
D. Personal umbrella policy

140. Which property and casualty insurance term is best illustrated by this description: offering an inducement not stated in the policy to persuade a person to buy insurance?

A. Defamation
B. Vacancy provision
C. Replacement cost
D. Rebating

141. Which property and casualty insurance term is best illustrated by this description: the stated interval during which coverage is in force?

A. Reinsurance
B. Garagekeepers coverage
C. Policy period
D. Surety bond

142. Which property and casualty insurance term is best illustrated by this description: coverage addressing specified losses and liability arising from data or network incidents?

A. Umbrella liability policy
B. Extra expense coverage
C. Apparent authority
D. Cyber liability

143. Which property and casualty insurance term is best illustrated by this description: the Texas residual market mechanism that may provide basic property coverage to eligible applicants unable to obtain it voluntarily?

A. Directors and officers liability
B. Duty of care
C. Texas FAIR Plan Association
D. Collision coverage

144. Which property and casualty insurance term is best illustrated by this description: a policy providing personal auto liability, medical payments, uninsured motorist, and physical damage coverages?

A. Personal auto policy
B. Builders risk coverage
C. Moral hazard
D. Statute of limitations

145. Which property and casualty insurance term is best illustrated by this description: coverage that applies unless the cause of loss is excluded?

A. Crime coverage
B. Open-peril coverage
C. Cancellation
D. Commercial auto policy

Practice Exam 6: Answer Key and Explanations

1. A — The description identifies Risk retention, which means the decision to knowingly absorb a potential loss rather than transfer it to insurance. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the.

2. D — The description identifies Loss payable clause, which means language directing payment to a party with an insured financial interest in property. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the.

3. C — The description identifies Pure risk, which means a chance of loss or no loss without the possibility of gain. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

4. A — The description identifies Compensatory damages, which means money intended to reimburse an injured party for actual loss. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits.

5. B — The description identifies Mortgagee clause, which means language protecting a lender interest in covered property subject to stated conditions. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

6. D — The description identifies Inland marine insurance, which means coverage for movable property, transportation exposures, and specialized property interests. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

7. C — The description identifies 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 terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and.

8. B — The description identifies Named-peril coverage, which means coverage that applies only to perils specifically listed in the policy. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

9. A — The description identifies Vicarious liability, which means legal responsibility imposed on one party for the acts of another. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

10. A — The description identifies Deductible, which means the portion of a covered loss that the insured retains before policy payment. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

11. C — The description identifies Homeowners policy, which means a package policy combining personal property, dwelling, liability, and additional living expense coverages. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

12. B — The description identifies Contractual liability, which means liability assumed by an insured in a contract, subject to policy terms and exceptions. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the.

13. D — The description identifies Comparative negligence, which means a rule reducing recovery according to the claimant share of fault. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

14. D — The description identifies 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 terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select.

15. C — The description identifies Bailee coverage, which means coverage for property of customers while it is in the insured custody, care, or control. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select.

16. B — The description identifies 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 terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and.

17. A — The description identifies Fraud, which means an intentional deception used to obtain an improper benefit or cause a loss. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

18. D — The description identifies Dwelling policy, which means property insurance primarily designed for a dwelling that may not qualify for a homeowners package. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select.

19. C — The description identifies 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 terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language.

20. A — The description identifies Commercial package policy, which means a flexible policy combining selected commercial property and liability coverage parts. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

21. B — The description identifies Employers liability, which means coverage for certain employee injury claims not covered by workers compensation law. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

22. C — The description identifies Windstorm coverage, which means coverage for direct wind-related property damage, subject to policy terms and availability. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

23. B — The description identifies Fidelity bond, which means a bond protecting an employer against dishonest acts by employees. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits.

24. D — The description identifies Extended reporting period, which means additional time to report claims after a claims-made policy ends. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

25. A — The description identifies Peril, which means the immediate cause of loss, such as fire, theft, or collision. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits.

26. A — The description identifies Personal umbrella policy, which means personal excess liability coverage above required underlying personal policies. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits.

27. D — The description identifies 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 terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first.

28. C — The description identifies Garagekeepers coverage, which means coverage for customer autos left in the care of a garage operation. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

29. B — The description identifies Extra expense coverage, which means coverage for necessary added expense incurred to continue operations after a covered loss. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the.

30. C — The description identifies Duty of care, which means the legal obligation to act with reasonable care toward others. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

31. B — The description identifies Statute of limitations, which means a law setting the deadline for filing a legal action. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

32. A — The description identifies Cancellation, which means termination of a policy before its normal expiration date. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits it.

33. D — The description identifies Aggregate limit, which means the most payable for all covered losses during the policy period. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

34. A — The description identifies Indirect loss, which means a financial consequence that follows from direct property damage. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits it.

35. D — The description identifies Nonrenewal, which means the insurer decision not to continue a policy at the end of its term. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

36. B — The description identifies Unilateral contract, which means a contract in which only the insurer makes an enforceable promise to perform. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

37. C — The description identifies Insuring agreement, which means the policy section that broadly states what the insurer agrees to cover. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

38. B — The description identifies Actual cash value, which means replacement cost reduced by applicable depreciation. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits it.

39. A — The description identifies 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 terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and.

40. C — The description identifies Personal injury, which means specified nonphysical offenses such as false arrest, libel, or wrongful eviction. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

41. D — The description identifies Per-occurrence limit, which means the most payable for all covered injury or damage arising from one occurrence. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

42. C — The description identifies Declarations, which means the policy section identifying the insured, coverage, limits, premium, and policy period. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

43. D — The description identifies Nonowned auto, which means an auto not owned by the business but used in connection with its operations. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the.

44. A — The description identifies Appraisal condition, which means a process for resolving a disagreement about the amount of loss. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

45. B — The description identifies Liability, which means legal responsibility for injury or damage to another person or property. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits.

46. B — The description identifies Unfair discrimination, which means making coverage or rate distinctions among similar risks without a sound actuarial or legal basis. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select.

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

48. A — The description identifies Businessowners policy, which means a package policy combining property and liability coverage for eligible small businesses. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

49. D — The description identifies Occurrence, which means an accident, including continuous or repeated exposure to substantially the same harmful conditions. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

50. B — The description identifies Risk transfer, which means shifting financial consequences of loss to another party through insurance or contract. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

51. A — The description identifies Uninsured motorist coverage, which means coverage for injury caused by a driver without applicable liability insurance. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

52. D — The description identifies Additional living expense, which means coverage for necessary increased living costs when a covered loss makes a residence uninhabitable. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select.

53. C — The description identifies Performance bond, which means a surety guarantee that a contractor will perform contractual work. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits.

54. D — The description identifies Certificate of authority, which means regulatory authorization allowing an insurer to transact insurance in a state. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

55. B — The description identifies Actual authority, which means authority expressly granted by the principal to an agent. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits it.

56. C — The description identifies Indemnity, which means restoring an insured to approximately the financial position held before a covered loss. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

57. A — The description identifies Flood insurance, which means coverage for direct physical loss by flood, commonly obtained through a separate program or policy. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select.

58. C — The description identifies 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 terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language.

59. A — The description identifies Rate, which means the price per unit of insurance used to calculate a premium. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits.

60. D — The description identifies 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 terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and.

61. B — The description identifies Morale hazard, which means carelessness or indifference to loss because insurance exists. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits it.

62. C — The description identifies Retroactive date, which means the earliest date from which acts may be covered under a claims-made policy. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

63. D — The description identifies Defamation, which means making false malicious statements that injure an insurer or producer reputation. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits.

64. B — The description identifies Surety bond, which means a three-party guarantee that a principal will perform an obligation to an obligee. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

65. A — The description identifies Umbrella liability policy, which means excess liability coverage that may also broaden selected underlying coverage. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

66. B — The description identifies Directors and officers liability, which means coverage for claims alleging wrongful acts in managing an organization. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

67. A — The description identifies Builders risk coverage, which means property coverage for a building or structure while it is under construction. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

68. C — The description identifies Crime coverage, which means coverage for specified losses caused by theft, employee dishonesty, forgery, or similar acts. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

69. D — The description identifies Scheduled personal property, which means coverage that lists individual high-value items separately with stated coverage. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

70. B — The description identifies Subrogation, which means the insurer right to recover from a responsible third party after paying a loss. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

71. A — The description identifies Claims-made form, which means liability coverage generally triggered by a claim first made during the policy period. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

72. C — The description identifies Premium, which means the amount charged for insurance coverage. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits it.

73. B — The description identifies Concealment, which means failure to disclose a material fact that an applicant has a duty to reveal. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

74. D — The description identifies Utmost good faith, which means the expectation that each party deals honestly and discloses material information. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

75. D — The description identifies Adhesion contract, which means a contract drafted by one party that is generally accepted without negotiation. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

76. A — The description identifies 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 terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and.

77. C — The description identifies Occurrence form, which means liability coverage triggered by injury or damage occurring during the policy period. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

78. D — The description identifies Hazard, which means a condition that increases the frequency or severity of a possible loss. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

79. B — The description identifies Defense costs, which means expenses the insurer incurs to defend a covered liability claim. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits.

80. A — The description identifies Proximate cause, which means the dominant cause that sets an unbroken chain of events in motion. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

81. C — The description identifies Bodily injury, which means physical injury, sickness, disease, or resulting death suffered by a person. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

82. D — The description identifies Risk reduction, which means taking steps to decrease the frequency or severity of potential losses. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

83. C — The description identifies Policy replacement, which means the transaction in which new coverage causes existing coverage to be terminated, reduced, or surrendered. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select.

84. A — The description identifies Endorsement, which means a written amendment that adds, removes, or changes policy terms. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits it.

85. B — The description identifies Advertising injury, which means specified offenses arising from advertising activities, such as certain copyright or slogan claims. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

86. D — The description identifies Employment practices liability, which means coverage for specified employment-related allegations such as wrongful termination or discrimination. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

87. B — The description identifies Condition, which means a duty or requirement that must be met for coverage to apply or continue. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

88. C — The description identifies Negligence, which means failure to use the care a reasonably prudent person would use in similar circumstances. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

89. A — The description identifies Admitted insurer, which means an insurer authorized by the state to transact insurance and subject to its regulation. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the.

90. C — The description identifies Representations, which means statements believed true to the applicant knowledge but not guaranteed as absolute facts. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

91. D — The description identifies Twisting, which means making misleading comparisons to induce a policyholder to replace or surrender coverage. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

92. A — The description identifies Accident, which means an unforeseen and unintended event that produces injury or damage. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits it.

93. B — The description identifies Direct loss, which means physical damage that results immediately from a covered peril. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits it.

94. D — The description identifies 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 terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the.

95. C — The description identifies Physical hazard, which means a tangible condition that increases the likelihood or severity of loss. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

96. A — The description identifies Facultative reinsurance, which means reinsurance negotiated separately for an individual risk. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits it.

97. B — The description identifies Supplementary payments, which means payments made in addition to liability limits for specified claim-related expenses. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

98. C — The description identifies Material misrepresentation, which means a false statement that would influence an insurer underwriting decision or policy terms. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

99. A — The description identifies Salvage, which means remaining damaged property that has residual value after a loss. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits it.

100. B — The description identifies Estoppel, which means a rule preventing a party from asserting a right after conduct caused reasonable reliance. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

101. D — The description identifies Insurable interest, which means a financial stake that would cause loss if the covered property is damaged. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

102. C — The description identifies Employee dishonesty coverage, which means crime coverage for loss caused by dishonest acts of employees. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

103. A — The description identifies Underwriting, which means the process of evaluating risk and deciding whether and on what terms to insure it. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the.

104. B — The description identifies 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 terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative.

105. A — The description identifies Replacement cost, which means the cost to repair or replace with like kind and quality without a depreciation deduction. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select.

106. D — The description identifies Reinsurance, which means insurance purchased by an insurer to transfer part of its risk to another insurer. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

107. D — The description identifies Apparent authority, which means authority a third party reasonably believes an agent has because of the principal conduct. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the.

108. B — The description identifies 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 terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and.

109. C — The description identifies Moral hazard, which means a character-related condition that increases the chance of intentional loss. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits.

110. B — The description identifies Commercial auto policy, which means a policy providing liability and physical damage coverage for covered business autos. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

111. A — The description identifies Workers compensation, which means statutory coverage for employment-related injury or disease without ordinary negligence litigation. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

112. C — The description identifies 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 terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam.

113. D — The description identifies Medical payments coverage, which means coverage for reasonable medical expenses regardless of fault, subject to policy terms. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

114. D — The description identifies Hired auto, which means an auto the insured leases, hires, rents, or borrows for business use. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

115. A — The description identifies 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 terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and.

116. B — The description identifies Fiduciary responsibility, which means the duty to handle premiums and client funds honestly and separately from personal funds. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the.

117. C — The description identifies Equipment breakdown coverage, which means coverage for certain direct damage and loss caused by covered mechanical or electrical breakdown. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select.

118. C — The description identifies Speculative risk, which means a chance of loss, no loss, or gain. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits it.

119. D — The description identifies Risk avoidance, which means eliminating an exposure so that the potential loss cannot occur. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits.

120. B — The description identifies Business income coverage, which means coverage for lost income and continuing normal operating expenses after covered property damage. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the.

121. A — The description identifies Exclusion, which means policy language removing specified causes, property, persons, or losses from coverage. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits.

122. B — The description identifies Commercial property coverage form, which means a form addressing direct physical loss or damage to covered business property. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the.

123. D — The description identifies Waiver, which means the intentional relinquishment of a known right. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits it.

124. A — The description identifies Underinsured motorist coverage, which means coverage that can apply when an at-fault driver liability limits are insufficient. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term.

125. C — The description identifies Exposure, which means a condition or situation that creates the possibility of loss. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits it.

126. C — The description identifies Ocean marine insurance, which means coverage for vessels, cargo, and related maritime interests. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits it.

127. A — The description identifies Punitive damages, which means money intended to punish particularly wrongful conduct rather than compensate loss. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

128. D — The description identifies Abandonment, which means an attempted transfer of damaged property to an insurer without policy authority. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

129. B — The description identifies 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 terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and.

130. D — The description identifies Binder, which means temporary evidence of insurance pending issuance of a policy. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits it.

131. C — The description identifies Professional liability, which means coverage for claims alleging negligent professional services or errors and omissions. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely.

132. B — The description identifies Texas Department of Insurance, which means the state agency that regulates the Texas insurance industry and enforces insurance laws. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select.

133. A — The description identifies Excess liability policy, which means coverage that increases limits above a designated underlying policy without necessarily broadening coverage. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the.

134. D — The description identifies 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 terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and.

135. B — The description identifies Payment bond, which means a surety guarantee that certain labor and material obligations will be paid. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

136. A — The description identifies Products-completed operations hazard, which means liability arising from products or completed work after possession or work is finished. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the.

137. C — The description identifies Property damage, which means physical injury to tangible property, including resulting loss of use. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits.

138. A — The description identifies Misrepresentation, which means making a false or misleading statement about a policy, insurer, or insurance benefit. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

139. B — The description identifies 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 terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and.

140. D — The description identifies Rebating, which means offering an inducement not stated in the policy to persuade a person to buy insurance. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the.

141. C — The description identifies Policy period, which means the stated interval during which coverage is in force. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits it.

142. D — The description identifies Cyber liability, which means coverage addressing specified losses and liability arising from data or network incidents. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that.

143. C — The description identifies 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 terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read.

144. A — The description identifies Personal auto policy, which means a policy providing personal auto liability, medical payments, uninsured motorist, and physical damage coverages. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select.

145. B — The description identifies Open-peril coverage, which means coverage that applies unless the cause of loss is excluded. This distinction matters because insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the stated description. On an exam, read the operative language first and select the term that precisely fits.