PRACTICE EXAM 7: 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. A producer is reviewing an insurance situation involving replacement cost reduced by applicable depreciation. Which term best applies?

A. Actual cash value
B. Defamation
C. Extended reporting period
D. Proximate cause

2. An insured asks about policy language removing specified causes, property, persons, or losses from coverage. Which property and casualty term answers that question?

A. Unilateral contract
B. Flood insurance
C. Speculative risk
D. Exclusion

3. In a claim or underwriting scenario, which term means excess liability coverage that may also broaden selected underlying coverage?

A. Commercial property coverage form
B. Texas Windstorm Insurance Association
C. Umbrella liability policy
D. Actual authority

4. Which insurance concept would apply where there is crime coverage for loss caused by dishonest acts of employees?

A. Apparent authority
B. Employee dishonesty coverage
C. Named-peril coverage
D. Medical payments coverage

5. A policy review identifies making a false or misleading statement about a policy, insurer, or insurance benefit. What is the most accurate term for that concept?

A. Misrepresentation
B. Accident
C. Texas FAIR Plan Association
D. Premium

6. A producer is reviewing an insurance situation involving coverage for injury caused by a driver without applicable liability insurance. Which term best applies?

A. Uninsured motorist coverage
B. Builders risk coverage
C. Contractual liability
D. Supplementary payments

7. An insured asks about coverage addressing specified losses and liability arising from data or network incidents. Which property and casualty term answers that question?

A. Statute of limitations
B. Cyber liability
C. Other-than-collision coverage
D. Personal auto policy

8. In a claim or underwriting scenario, which term means the intentional relinquishment of a known right?

A. Risk retention
B. Scheduled personal property
C. Waiver
D. Payment bond

9. Which insurance concept would apply where there is legal responsibility imposed on one party for the acts of another?

A. Personal umbrella policy
B. Mortgagee clause
C. Duty of care
D. Vicarious liability

10. A policy review identifies an exclusion commonly addressing loss caused by events such as earthquake, landslide, or earth sinking. What is the most accurate term for that concept?

A. Policy replacement
B. Nonadmitted insurer
C. Earth movement exclusion
D. Declarations

11. A producer is reviewing an insurance situation involving first-party coverage for specified medical and income-loss benefits, subject to policy terms. Which term best applies?

A. Personal injury protection
B. Cancellation
C. Claims-made form
D. Ocean marine insurance

12. An insured asks about a policy providing liability and physical damage coverage for covered business autos. Which property and casualty term answers that question?

A. Subrogation
B. Bodily injury
C. Nonowned auto
D. Commercial auto policy

13. In a claim or underwriting scenario, which term means physical injury to tangible property, including resulting loss of use?

A. Appraisal condition
B. Property damage
C. Surety bond
D. Homeowners policy

14. Which insurance concept would apply where there is the price per unit of insurance used to calculate a premium?

A. Utmost good faith
B. Replacement cost
C. Per-occurrence limit
D. Rate

15. A policy review identifies the stated interval during which coverage is in force. What is the most accurate term for that concept?

A. Policy period
B. Defense costs
C. Collision coverage
D. Exposure

16. A producer is reviewing an insurance situation involving a condition that can restrict certain property coverage after a building is vacant for a stated period. Which term best applies?

A. Occurrence form
B. Punitive damages
C. Vacancy provision
D. Hired auto

17. An insured asks about coverage for necessary increased living costs when a covered loss makes a residence uninhabitable. Which property and casualty term answers that question?

A. Concealment
B. Additional living expense
C. Loss payable clause
D. Producer authority

18. In a claim or underwriting scenario, which term means coverage for specified losses caused by theft, employee dishonesty, forgery, or similar acts?

A. Dwelling policy
B. Garagekeepers coverage
C. Crime coverage
D. Rebating

19. Which insurance concept would apply where there is a state-created mechanism that may help pay certain covered claims of an insolvent admitted insurer?

A. Guaranty association
B. Windstorm coverage
C. Commercial package policy
D. Binder

20. A policy review identifies eliminating an exposure so that the potential loss cannot occur. What is the most accurate term for that concept?

A. Professional liability
B. Aggregate limit
C. Surplus lines insurance
D. Risk avoidance

21. A producer is reviewing an insurance situation involving a bond protecting an employer against dishonest acts by employees. Which term best applies?

A. Inland marine insurance
B. Fidelity bond
C. Fraud
D. Equipment breakdown coverage

22. An insured asks about a rule preventing a party from asserting a right after conduct caused reasonable reliance. Which property and casualty term answers that question?

A. Occurrence
B. Deductible
C. Estoppel
D. Loss of use

23. In a claim or underwriting scenario, which term means regulatory authorization allowing an insurer to transact insurance in a state?

A. Employment practices liability
B. Certificate of authority
C. Direct loss
D. Peril

24. Which insurance concept would apply where there is the process of evaluating risk and deciding whether and on what terms to insure it?

A. Indirect loss
B. Liability
C. Controlled business
D. Underwriting

25. A policy review identifies a rule reducing recovery according to the claimant share of fault. What is the most accurate term for that concept?

A. Comparative negligence
B. Performance bond
C. Material misrepresentation
D. Abandonment

26. A producer is reviewing an insurance situation involving specified nonphysical offenses such as false arrest, libel, or wrongful eviction. Which term best applies?

A. Risk transfer
B. Condition
C. Personal injury
D. Negligence

27. An insured asks about liability arising from products or completed work after possession or work is finished. Which property and casualty term answers that question?

A. Products-completed operations hazard
B. Open-peril coverage
C. Advertising injury
D. Workers compensation

28. In a claim or underwriting scenario, which term means the policy section that broadly states what the insurer agrees to cover?

A. Reinsurance
B. Underinsured motorist coverage
C. Physical hazard
D. Insuring agreement

29. Which insurance concept would apply where there is coverage for necessary added expense incurred to continue operations after a covered loss?

A. Risk reduction
B. Extra expense coverage
C. Coinsurance clause
D. Commercial general liability policy

30. A policy review identifies the insurer decision not to continue a policy at the end of its term. What is the most accurate term for that concept?

A. Nonrenewal
B. Commissioner of Insurance
C. Insurable interest
D. Representations

31. A producer is reviewing an insurance situation involving a contract drafted by one party that is generally accepted without negotiation. Which term best applies?

A. Hazard
B. Twisting
C. Adhesion contract
D. Indemnity

32. An insured asks about carelessness or indifference to loss because insurance exists. Which property and casualty term answers that question?

A. Admitted insurer
B. Morale hazard
C. Moral hazard
D. Salvage

33. In a claim or underwriting scenario, which term means making false malicious statements that injure an insurer or producer reputation?

A. Law of large numbers
B. Business income coverage
C. Bailee coverage
D. Defamation

34. Which insurance concept would apply where there is coverage for direct physical loss by flood, commonly obtained through a separate program or policy?

A. Unfair discrimination
B. Flood insurance
C. Endorsement
D. Excess liability policy

35. A policy review identifies the Texas residual market mechanism that may provide windstorm and hail coverage in designated areas when eligibility requirements are met. What is the most accurate term for that concept?

A. Aleatory contract
B. Facultative reinsurance
C. Texas Windstorm Insurance Association
D. Strict liability

36. A producer is reviewing an insurance situation involving coverage for reasonable medical expenses regardless of fault, subject to policy terms. Which term best applies?

A. Actual cash value
B. Businessowners policy
C. Directors and officers liability
D. Medical payments coverage

37. An insured asks about an unforeseen and unintended event that produces injury or damage. Which property and casualty term answers that question?

A. Accident
B. Extended reporting period
C. Retroactive date
D. Exclusion

38. In a claim or underwriting scenario, which term means property coverage for a building or structure while it is under construction?

A. Umbrella liability policy
B. Unilateral contract
C. Pure risk
D. Builders risk coverage

39. Which insurance concept would apply where there is physical damage coverage for losses other than collision, such as theft, fire, or hail?

A. Fiduciary responsibility
B. Actual authority
C. Other-than-collision coverage
D. Employee dishonesty coverage

40. A policy review identifies coverage that lists individual high-value items separately with stated coverage. What is the most accurate term for that concept?

A. Scheduled personal property
B. Texas Department of Insurance
C. Named-peril coverage
D. Misrepresentation

41. A producer is reviewing an insurance situation involving the legal obligation to act with reasonable care toward others. Which term best applies?

A. Texas FAIR Plan Association
B. Duty of care
C. Employers liability
D. Uninsured motorist coverage

42. An insured asks about an insurer not licensed in the state but that may be used for eligible surplus-lines placements. Which property and casualty term answers that question?

A. Compensatory damages
B. Cyber liability
C. Nonadmitted insurer
D. Supplementary payments

43. In a claim or underwriting scenario, which term means termination of a policy before its normal expiration date?

A. Cancellation
B. Proximate cause
C. Waiver
D. Personal auto policy

44. Which insurance concept would apply where there is the insurer right to recover from a responsible third party after paying a loss?

A. Vicarious liability
B. Subrogation
C. Payment bond
D. Speculative risk

45. A policy review identifies a three-party guarantee that a principal will perform an obligation to an obligee. What is the most accurate term for that concept?

A. Earth movement exclusion
B. Personal umbrella policy
C. Commercial property coverage form
D. Surety bond

46. A producer is reviewing an insurance situation involving the expectation that each party deals honestly and discloses material information. Which term best applies?

A. Declarations
B. Personal injury protection
C. Apparent authority
D. Utmost good faith

47. An insured asks about a condition or situation that creates the possibility of loss. Which property and casualty term answers that question?

A. Ocean marine insurance
B. Exposure
C. Premium
D. Commercial auto policy

48. In a claim or underwriting scenario, which term means liability coverage triggered by injury or damage occurring during the policy period?

A. Occurrence form
B. Contractual liability
C. Bodily injury
D. Property damage

49. Which insurance concept would apply where there is language directing payment to a party with an insured financial interest in property?

A. Rate
B. Statute of limitations
C. Loss payable clause
D. Appraisal condition

50. A policy review identifies property insurance primarily designed for a dwelling that may not qualify for a homeowners package. What is the most accurate term for that concept?

A. Dwelling policy
B. Replacement cost
C. Policy period
D. Risk retention

51. A producer is reviewing an insurance situation involving a flexible policy combining selected commercial property and liability coverage parts. Which term best applies?

A. Collision coverage
B. Commercial package policy
C. Vacancy provision
D. Mortgagee clause

52. An insured asks about coverage for claims alleging negligent professional services or errors and omissions. Which property and casualty term answers that question?

A. Punitive damages
B. Additional living expense
C. Policy replacement
D. Professional liability

53. In a claim or underwriting scenario, which term means an intentional deception used to obtain an improper benefit or cause a loss?

A. Concealment
B. Crime coverage
C. Fraud
D. Claims-made form

54. Which insurance concept would apply where there is coverage for certain economic consequences of inability to use covered property after a covered loss?

A. Guaranty association
B. Rebating
C. Nonowned auto
D. Loss of use

55. A policy review identifies coverage for specified employment-related allegations such as wrongful termination or discrimination. What is the most accurate term for that concept?

A. Risk avoidance
B. Homeowners policy
C. Employment practices liability
D. Windstorm coverage

56. A producer is reviewing an insurance situation involving a financial consequence that follows from direct property damage. Which term best applies?

A. Fidelity bond
B. Indirect loss
C. Per-occurrence limit
D. Aggregate limit

57. An insured asks about an attempted transfer of damaged property to an insurer without policy authority. Which property and casualty term answers that question?

A. Abandonment
B. Inland marine insurance
C. Defense costs
D. Estoppel

58. In a claim or underwriting scenario, which term means shifting financial consequences of loss to another party through insurance or contract?

A. Hired auto
B. Certificate of authority
C. Occurrence
D. Risk transfer

59. Which insurance concept would apply where there is coverage that applies unless the cause of loss is excluded?

A. Producer authority
B. Peril
C. Open-peril coverage
D. Underwriting

60. A policy review identifies coverage that can apply when an at-fault driver liability limits are insufficient. What is the most accurate term for that concept?

A. Liability
B. Underinsured motorist coverage
C. Garagekeepers coverage
D. Comparative negligence

61. A producer is reviewing an insurance situation involving a condition requiring insurance to equal a stated percentage of property value to avoid a penalty. Which term best applies?

A. Performance bond
B. Coinsurance clause
C. Personal injury
D. Binder

62. An insured asks about statements believed true to the applicant knowledge but not guaranteed as absolute facts. Which property and casualty term answers that question?

A. Representations
B. Surplus lines insurance
C. Products-completed operations hazard
D. Negligence

63. In a claim or underwriting scenario, which term means a condition that increases the frequency or severity of a possible loss?

A. Hazard
B. Insuring agreement
C. Equipment breakdown coverage
D. Advertising injury

64. Which insurance concept would apply where there is an insurer authorized by the state to transact insurance and subject to its regulation?

A. Deductible
B. Reinsurance
C. Extra expense coverage
D. Admitted insurer

65. A policy review identifies coverage for property of customers while it is in the insured custody, care, or control. What is the most accurate term for that concept?

A. Nonrenewal
B. Commercial general liability policy
C. Bailee coverage
D. Direct loss

66. A producer is reviewing an insurance situation involving a written amendment that adds, removes, or changes policy terms. Which term best applies?

A. Adhesion contract
B. Endorsement
C. Commissioner of Insurance
D. Controlled business

67. An insured asks about reinsurance negotiated separately for an individual risk. Which property and casualty term answers that question?

A. Morale hazard
B. Indemnity
C. Facultative reinsurance
D. Material misrepresentation

68. In a claim or underwriting scenario, which term means coverage for claims alleging wrongful acts in managing an organization?

A. Salvage
B. Condition
C. Defamation
D. Directors and officers liability

69. Which insurance concept would apply where there is additional time to report claims after a claims-made policy ends?

A. Extended reporting period
B. Workers compensation
C. Flood insurance
D. Business income coverage

70. A policy review identifies a contract in which only the insurer makes an enforceable promise to perform. What is the most accurate term for that concept?

A. Unilateral contract
B. Unfair discrimination
C. Texas Windstorm Insurance Association
D. Physical hazard

71. A producer is reviewing an insurance situation involving authority expressly granted by the principal to an agent. Which term best applies?

A. Strict liability
B. Risk reduction
C. Medical payments coverage
D. Actual authority

72. An insured asks about coverage that applies only to perils specifically listed in the policy. Which property and casualty term answers that question?

A. Businessowners policy
B. Accident
C. Named-peril coverage
D. Insurable interest

73. In a claim or underwriting scenario, which term means the Texas residual market mechanism that may provide basic property coverage to eligible applicants unable to obtain it voluntarily?

A. Builders risk coverage
B. Texas FAIR Plan Association
C. Twisting
D. Retroactive date

74. Which insurance concept would apply where there is payments made in addition to liability limits for specified claim-related expenses?

A. Pure risk
B. Other-than-collision coverage
C. Supplementary payments
D. Moral hazard

75. A policy review identifies a policy providing personal auto liability, medical payments, uninsured motorist, and physical damage coverages. What is the most accurate term for that concept?

A. Personal auto policy
B. Scheduled personal property
C. Fiduciary responsibility
D. Law of large numbers

76. A producer is reviewing an insurance situation involving a surety guarantee that certain labor and material obligations will be paid. Which term best applies?

A. Duty of care
B. Payment bond
C. Excess liability policy
D. Texas Department of Insurance

77. An insured asks about personal excess liability coverage above required underlying personal policies. Which property and casualty term answers that question?

A. Employers liability
B. Nonadmitted insurer
C. Aleatory contract
D. Personal umbrella policy

78. In a claim or underwriting scenario, which term means the policy section identifying the insured, coverage, limits, premium, and policy period?

A. Actual cash value
B. Cancellation
C. Compensatory damages
D. Declarations

79. Which insurance concept would apply where there is coverage for vessels, cargo, and related maritime interests?

A. Ocean marine insurance
B. Subrogation
C. Exclusion
D. Proximate cause

80. A policy review identifies physical injury, sickness, disease, or resulting death suffered by a person. What is the most accurate term for that concept?

A. Surety bond
B. Bodily injury
C. Speculative risk
D. Umbrella liability policy

81. A producer is reviewing an insurance situation involving a process for resolving a disagreement about the amount of loss. Which term best applies?

A. Commercial property coverage form
B. Employee dishonesty coverage
C. Appraisal condition
D. Utmost good faith

82. An insured asks about the cost to repair or replace with like kind and quality without a depreciation deduction. Which property and casualty term answers that question?

A. Replacement cost
B. Exposure
C. Misrepresentation
D. Apparent authority

83. In a claim or underwriting scenario, which term means physical damage coverage for upset of a covered auto or impact with another vehicle or object?

A. Premium
B. Uninsured motorist coverage
C. Occurrence form
D. Collision coverage

84. Which insurance concept would apply where there is money intended to punish particularly wrongful conduct rather than compensate loss?

A. Cyber liability
B. Contractual liability
C. Punitive damages
D. Loss payable clause

85. A policy review identifies failure to disclose a material fact that an applicant has a duty to reveal. What is the most accurate term for that concept?

A. Statute of limitations
B. Concealment
C. Waiver
D. Dwelling policy

86. A producer is reviewing an insurance situation involving offering an inducement not stated in the policy to persuade a person to buy insurance. Which term best applies?

A. Risk retention
B. Commercial package policy
C. Rebating
D. Vicarious liability

87. An insured asks about coverage for direct wind-related property damage, subject to policy terms and availability. Which property and casualty term answers that question?

A. Windstorm coverage
B. Professional liability
C. Earth movement exclusion
D. Mortgagee clause

88. In a claim or underwriting scenario, which term means the most payable for all covered losses during the policy period?

A. Personal injury protection
B. Fraud
C. Policy replacement
D. Aggregate limit

89. Which insurance concept would apply where there is coverage for movable property, transportation exposures, and specialized property interests?

A. Claims-made form
B. Inland marine insurance
C. Commercial auto policy
D. Loss of use

90. A policy review identifies an accident, including continuous or repeated exposure to substantially the same harmful conditions. What is the most accurate term for that concept?

A. Employment practices liability
B. Occurrence
C. Property damage
D. Nonowned auto

91. A producer is reviewing an insurance situation involving the immediate cause of loss, such as fire, theft, or collision. Which term best applies?

A. Peril
B. Rate
C. Homeowners policy
D. Indirect loss

92. An insured asks about legal responsibility for injury or damage to another person or property. Which property and casualty term answers that question?

A. Abandonment
B. Per-occurrence limit
C. Policy period
D. Liability

93. In a claim or underwriting scenario, which term means a surety guarantee that a contractor will perform contractual work?

A. Vacancy provision
B. Defense costs
C. Performance bond
D. Risk transfer

94. Which insurance concept would apply where there is failure to use the care a reasonably prudent person would use in similar circumstances?

A. Additional living expense
B. Hired auto
C. Open-peril coverage
D. Negligence

95. A policy review identifies specified offenses arising from advertising activities, such as certain copyright or slogan claims. What is the most accurate term for that concept?

A. Producer authority
B. Crime coverage
C. Advertising injury
D. Underinsured motorist coverage

96. A producer is reviewing an insurance situation involving insurance purchased by an insurer to transfer part of its risk to another insurer. Which term best applies?

A. Reinsurance
B. Garagekeepers coverage
C. Coinsurance clause
D. Guaranty association

97. An insured asks about a policy covering common business liability exposures for bodily injury, property damage, and personal and advertising injury. Which property and casualty term answers that question?

A. Binder
B. Commercial general liability policy
C. Representations
D. Risk avoidance

98. In a claim or underwriting scenario, which term means the state official who administers the Texas Department of Insurance and exercises assigned regulatory authority?

A. Surplus lines insurance
B. Commissioner of Insurance
C. Hazard
D. Fidelity bond

99. Which insurance concept would apply where there is restoring an insured to approximately the financial position held before a covered loss?

A. Admitted insurer
B. Estoppel
C. Equipment breakdown coverage
D. Indemnity

100. A policy review identifies remaining damaged property that has residual value after a loss. What is the most accurate term for that concept?

A. Salvage
B. Deductible
C. Certificate of authority
D. Bailee coverage

101. A producer is reviewing an insurance situation involving coverage for lost income and continuing normal operating expenses after covered property damage. Which term best applies?

A. Endorsement
B. Direct loss
C. Business income coverage
D. Underwriting

102. An insured asks about making coverage or rate distinctions among similar risks without a sound actuarial or legal basis. Which property and casualty term answers that question?

A. Unfair discrimination
B. Comparative negligence
C. Facultative reinsurance
D. Controlled business

103. In a claim or underwriting scenario, which term means liability that may be imposed without proving negligence when law assigns responsibility for a dangerous activity or product?

A. Directors and officers liability
B. Material misrepresentation
C. Strict liability
D. Personal injury

104. Which insurance concept would apply where there is a package policy combining property and liability coverage for eligible small businesses?

A. Condition
B. Extended reporting period
C. Products-completed operations hazard
D. Businessowners policy

105. A policy review identifies the earliest date from which acts may be covered under a claims-made policy. What is the most accurate term for that concept?

A. Workers compensation
B. Retroactive date
C. Insuring agreement
D. Unilateral contract

106. A producer is reviewing an insurance situation involving a chance of loss or no loss without the possibility of gain. Which term best applies?

A. Pure risk
B. Physical hazard
C. Actual authority
D. Extra expense coverage

107. An insured asks about the duty to handle premiums and client funds honestly and separately from personal funds. Which property and casualty term answers that question?

A. Nonrenewal
B. Fiduciary responsibility
C. Risk reduction
D. Named-peril coverage

108. In a claim or underwriting scenario, which term means the state agency that regulates the Texas insurance industry and enforces insurance laws?

A. Insurable interest
B. Texas FAIR Plan Association
C. Texas Department of Insurance
D. Adhesion contract

109. Which insurance concept would apply where there is coverage for certain employee injury claims not covered by workers compensation law?

A. Twisting
B. Supplementary payments
C. Morale hazard
D. Employers liability

110. A policy review identifies money intended to reimburse an injured party for actual loss. What is the most accurate term for that concept?

A. Compensatory damages
B. Defamation
C. Personal auto policy
D. Moral hazard

111. A producer is reviewing an insurance situation involving the dominant cause that sets an unbroken chain of events in motion. Which term best applies?

A. Flood insurance
B. Law of large numbers
C. Proximate cause
D. Payment bond

112. An insured asks about a chance of loss, no loss, or gain. Which property and casualty term answers that question?

A. Excess liability policy
B. Speculative risk
C. Texas Windstorm Insurance Association
D. Personal umbrella policy

113. In a claim or underwriting scenario, which term means a form addressing direct physical loss or damage to covered business property?

A. Aleatory contract
B. Medical payments coverage
C. Declarations
D. Commercial property coverage form

114. Which insurance concept would apply where there is authority a third party reasonably believes an agent has because of the principal conduct?

A. Apparent authority
B. Accident
C. Ocean marine insurance
D. Actual cash value

115. A policy review identifies the amount charged for insurance coverage. What is the most accurate term for that concept?

A. Bodily injury
B. Premium
C. Builders risk coverage
D. Exclusion

116. A producer is reviewing an insurance situation involving liability assumed by an insured in a contract, subject to policy terms and exceptions. Which term best applies?

A. Other-than-collision coverage
B. Appraisal condition
C. Contractual liability
D. Umbrella liability policy

117. An insured asks about a law setting the deadline for filing a legal action. Which property and casualty term answers that question?

A. Employee dishonesty coverage
B. Scheduled personal property
C. Replacement cost
D. Statute of limitations

118. In a claim or underwriting scenario, which term means the decision to knowingly absorb a potential loss rather than transfer it to insurance?

A. Misrepresentation
B. Collision coverage
C. Duty of care
D. Risk retention

119. Which insurance concept would apply where there is language protecting a lender interest in covered property subject to stated conditions?

A. Punitive damages
B. Uninsured motorist coverage
C. Mortgagee clause
D. Nonadmitted insurer

120. A policy review identifies the transaction in which new coverage causes existing coverage to be terminated, reduced, or surrendered. What is the most accurate term for that concept?

A. Policy replacement
B. Concealment
C. Cancellation
D. Cyber liability

121. A producer is reviewing an insurance situation involving liability coverage generally triggered by a claim first made during the policy period. Which term best applies?

A. Rebating
B. Claims-made form
C. Subrogation
D. Waiver

122. An insured asks about an auto not owned by the business but used in connection with its operations. Which property and casualty term answers that question?

A. Vicarious liability
B. Nonowned auto
C. Surety bond
D. Windstorm coverage

123. In a claim or underwriting scenario, which term means a package policy combining personal property, dwelling, liability, and additional living expense coverages?

A. Utmost good faith
B. Aggregate limit
C. Earth movement exclusion
D. Homeowners policy

124. Which insurance concept would apply where there is the most payable for all covered injury or damage arising from one occurrence?

A. Personal injury protection
B. Inland marine insurance
C. Per-occurrence limit
D. Exposure

125. A policy review identifies expenses the insurer incurs to defend a covered liability claim. What is the most accurate term for that concept?

A. Defense costs
B. Occurrence form
C. Occurrence
D. Commercial auto policy

126. A producer is reviewing an insurance situation involving an auto the insured leases, hires, rents, or borrows for business use. Which term best applies?

A. Peril
B. Property damage
C. Loss payable clause
D. Hired auto

127. An insured asks about the power granted to an agent or producer to act for an insurer within defined limits. Which property and casualty term answers that question?

A. Liability
B. Producer authority
C. Dwelling policy
D. Rate

128. In a claim or underwriting scenario, which term means coverage for customer autos left in the care of a garage operation?

A. Performance bond
B. Policy period
C. Garagekeepers coverage
D. Commercial package policy

129. Which insurance concept would apply where there is temporary evidence of insurance pending issuance of a policy?

A. Binder
B. Negligence
C. Professional liability
D. Vacancy provision

130. A policy review identifies insurance placed with an eligible nonadmitted insurer when coverage is unavailable in the admitted market. What is the most accurate term for that concept?

A. Fraud
B. Advertising injury
C. Surplus lines insurance
D. Additional living expense

131. A producer is reviewing an insurance situation involving coverage for certain direct damage and loss caused by covered mechanical or electrical breakdown. Which term best applies?

A. Loss of use
B. Equipment breakdown coverage
C. Reinsurance
D. Crime coverage

132. An insured asks about the portion of a covered loss that the insured retains before policy payment. Which property and casualty term answers that question?

A. Deductible
B. Commercial general liability policy
C. Employment practices liability
D. Guaranty association

133. In a claim or underwriting scenario, which term means physical damage that results immediately from a covered peril?

A. Indirect loss
B. Commissioner of Insurance
C. Risk avoidance
D. Direct loss

134. Which insurance concept would apply where there is insurance written primarily on the producer, family, employer, or business interests rather than the general public?

A. Fidelity bond
B. Indemnity
C. Abandonment
D. Controlled business

135. A policy review identifies a false statement that would influence an insurer underwriting decision or policy terms. What is the most accurate term for that concept?

A. Estoppel
B. Material misrepresentation
C. Salvage
D. Risk transfer

136. A producer is reviewing an insurance situation involving a duty or requirement that must be met for coverage to apply or continue. Which term best applies?

A. Business income coverage
B. Certificate of authority
C. Condition
D. Open-peril coverage

137. An insured asks about statutory coverage for employment-related injury or disease without ordinary negligence litigation. Which property and casualty term answers that question?

A. Workers compensation
B. Unfair discrimination
C. Underwriting
D. Underinsured motorist coverage

138. In a claim or underwriting scenario, which term means a tangible condition that increases the likelihood or severity of loss?

A. Comparative negligence
B. Coinsurance clause
C. Strict liability
D. Physical hazard

139. Which insurance concept would apply where there is taking steps to decrease the frequency or severity of potential losses?

A. Risk reduction
B. Businessowners policy
C. Representations
D. Personal injury

140. A policy review identifies a financial stake that would cause loss if the covered property is damaged. What is the most accurate term for that concept?

A. Hazard
B. Insurable interest
C. Products-completed operations hazard
D. Retroactive date

141. A producer is reviewing an insurance situation involving making misleading comparisons to induce a policyholder to replace or surrender coverage. Which term best applies?

A. Pure risk
B. Insuring agreement
C. Twisting
D. Admitted insurer

142. An insured asks about a character-related condition that increases the chance of intentional loss. Which property and casualty term answers that question?

A. Bailee coverage
B. Moral hazard
C. Fiduciary responsibility
D. Extra expense coverage

143. In a claim or underwriting scenario, which term means the principle that loss predictions become more reliable as the number of similar exposure units increases?

A. Law of large numbers
B. Nonrenewal
C. Endorsement
D. Texas Department of Insurance

144. Which insurance concept would apply where there is coverage that increases limits above a designated underlying policy without necessarily broadening coverage?

A. Adhesion contract
B. Facultative reinsurance
C. Employers liability
D. Excess liability policy

145. A policy review identifies a contract in which the exchange of values may be unequal because payment depends on chance. What is the most accurate term for that concept?

A. Morale hazard
B. Directors and officers liability
C. Aleatory contract
D. Compensatory damages

Practice Exam 7: Answer Key and Explanations

1. A — The scenario identifies Actual cash value, which means replacement cost reduced by applicable depreciation. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely fits the situation.

2. D — The scenario identifies Exclusion, which means policy language removing specified causes, property, persons, or losses from coverage. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely fits.

3. C — The scenario identifies Umbrella liability policy, which means excess liability coverage that may also broaden selected underlying coverage. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely.

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

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

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

7. B — The scenario identifies Cyber liability, which means coverage addressing specified losses and liability arising from data or network incidents. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that.

8. C — The scenario identifies Waiver, which means the intentional relinquishment of a known right. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely fits the situation.

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

10. C — The scenario 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 similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and.

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

12. D — The scenario identifies Commercial auto policy, which means a policy providing liability and physical damage coverage for covered business autos. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term.

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

14. D — The scenario identifies Rate, which means the price per unit of insurance used to calculate a premium. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely fits.

15. A — The scenario identifies Policy period, which means the stated interval during which coverage is in force. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely fits the.

16. C — The scenario 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 similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language.

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

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

19. A — The scenario 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 similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select.

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

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

22. C — The scenario identifies Estoppel, which means a rule preventing a party from asserting a right after conduct caused reasonable reliance. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term.

23. B — The scenario identifies Certificate of authority, which means regulatory authorization allowing an insurer to transact insurance in a state. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that.

24. D — The scenario identifies Underwriting, which means the process of evaluating risk and deciding whether and on what terms to insure it. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the.

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

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

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

28. D — The scenario identifies Insuring agreement, which means the policy section that broadly states what the insurer agrees to cover. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that.

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

30. A — The scenario identifies Nonrenewal, which means the insurer decision not to continue a policy at the end of its term. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term.

31. C — The scenario identifies Adhesion contract, which means a contract drafted by one party that is generally accepted without negotiation. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that.

32. B — The scenario identifies Morale hazard, which means carelessness or indifference to loss because insurance exists. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely fits the situation.

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

34. B — The scenario identifies Flood insurance, which means coverage for direct physical loss by flood, commonly obtained through a separate program or policy. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select.

35. C — The scenario 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 similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an.

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

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

38. D — The scenario identifies Builders risk coverage, which means property coverage for a building or structure while it is under construction. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term.

39. C — The scenario 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 similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the.

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

41. B — The scenario identifies Duty of care, which means the legal obligation to act with reasonable care toward others. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely.

42. C — The scenario 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 similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and.

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

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

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

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

47. B — The scenario identifies Exposure, which means a condition or situation that creates the possibility of loss. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely fits the.

48. A — The scenario identifies Occurrence form, which means liability coverage triggered by injury or damage occurring during the policy period. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that.

49. C — The scenario identifies Loss payable clause, which means language directing payment to a party with an insured financial interest in property. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the.

50. A — The scenario identifies Dwelling policy, which means property insurance primarily designed for a dwelling that may not qualify for a homeowners package. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select.

51. B — The scenario identifies Commercial package policy, which means a flexible policy combining selected commercial property and liability coverage parts. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that.

52. D — The scenario identifies Professional liability, which means coverage for claims alleging negligent professional services or errors and omissions. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely.

53. C — The scenario identifies Fraud, which means an intentional deception used to obtain an improper benefit or cause a loss. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that.

54. D — The scenario 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 similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and.

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

56. B — The scenario identifies Indirect loss, which means a financial consequence that follows from direct property damage. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely fits the.

57. A — The scenario identifies Abandonment, which means an attempted transfer of damaged property to an insurer without policy authority. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely.

58. D — The scenario identifies Risk transfer, which means shifting financial consequences of loss to another party through insurance or contract. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that.

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

60. B — The scenario identifies Underinsured motorist coverage, which means coverage that can apply when an at-fault driver liability limits are insufficient. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term.

61. B — The scenario 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 similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and.

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

63. A — The scenario identifies Hazard, which means a condition that increases the frequency or severity of a possible loss. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely.

64. D — The scenario identifies Admitted insurer, which means an insurer authorized by the state to transact insurance and subject to its regulation. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the.

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

66. B — The scenario identifies Endorsement, which means a written amendment that adds, removes, or changes policy terms. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely fits the.

67. C — The scenario identifies Facultative reinsurance, which means reinsurance negotiated separately for an individual risk. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely fits the situation.

68. D — The scenario identifies Directors and officers liability, which means coverage for claims alleging wrongful acts in managing an organization. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that.

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

70. A — The scenario identifies Unilateral contract, which means a contract in which only the insurer makes an enforceable promise to perform. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term.

71. D — The scenario identifies Actual authority, which means authority expressly granted by the principal to an agent. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely fits the.

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

73. B — The scenario 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 similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam.

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

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

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

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

78. D — The scenario identifies Declarations, which means the policy section identifying the insured, coverage, limits, premium, and policy period. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely.

79. A — The scenario identifies Ocean marine insurance, which means coverage for vessels, cargo, and related maritime interests. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely fits the.

80. B — The scenario identifies Bodily injury, which means physical injury, sickness, disease, or resulting death suffered by a person. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely.

81. C — The scenario identifies Appraisal condition, which means a process for resolving a disagreement about the amount of loss. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely.

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

83. D — The scenario 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 similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and.

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

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

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

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

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

89. B — The scenario identifies Inland marine insurance, which means coverage for movable property, transportation exposures, and specialized property interests. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely.

90. B — The scenario identifies Occurrence, which means an accident, including continuous or repeated exposure to substantially the same harmful conditions. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that.

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

92. D — The scenario identifies Liability, which means legal responsibility for injury or damage to another person or property. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely fits.

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

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

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

96. A — The scenario identifies Reinsurance, which means insurance purchased by an insurer to transfer part of its risk to another insurer. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term.

97. B — The scenario 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 similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the.

98. B — The scenario 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 similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and.

99. D — The scenario identifies Indemnity, which means restoring an insured to approximately the financial position held before a covered loss. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that.

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

101. C — The scenario identifies Business income coverage, which means coverage for lost income and continuing normal operating expenses after covered property damage. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the.

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

103. C — The scenario 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 similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative.

104. D — The scenario identifies Businessowners policy, which means a package policy combining property and liability coverage for eligible small businesses. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that.

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

106. A — The scenario identifies Pure risk, which means a chance of loss or no loss without the possibility of gain. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that.

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

108. C — The scenario identifies Texas Department of Insurance, which means the state agency that regulates the Texas insurance industry and enforces insurance laws. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select.

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

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

111. C — The scenario identifies Proximate cause, which means the dominant cause that sets an unbroken chain of events in motion. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that.

112. B — The scenario identifies Speculative risk, which means a chance of loss, no loss, or gain. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely fits the situation.

113. D — The scenario identifies Commercial property coverage form, which means a form addressing direct physical loss or damage to covered business property. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the.

114. A — The scenario identifies Apparent authority, which means authority a third party reasonably believes an agent has because of the principal conduct. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the.

115. B — The scenario identifies Premium, which means the amount charged for insurance coverage. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely fits the situation.

116. C — The scenario identifies Contractual liability, which means liability assumed by an insured in a contract, subject to policy terms and exceptions. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the.

117. D — The scenario identifies Statute of limitations, which means a law setting the deadline for filing a legal action. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely.

118. D — The scenario identifies Risk retention, which means the decision to knowingly absorb a potential loss rather than transfer it to insurance. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the.

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

120. A — The scenario identifies Policy replacement, which means the transaction in which new coverage causes existing coverage to be terminated, reduced, or surrendered. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select.

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

122. B — The scenario identifies Nonowned auto, which means an auto not owned by the business but used in connection with its operations. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the.

123. D — The scenario identifies Homeowners policy, which means a package policy combining personal property, dwelling, liability, and additional living expense coverages. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term.

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

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

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

127. B — The scenario 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 similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and.

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

129. A — The scenario identifies Binder, which means temporary evidence of insurance pending issuance of a policy. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely fits the situation.

130. C — The scenario 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 similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and.

131. B — The scenario identifies Equipment breakdown coverage, which means coverage for certain direct damage and loss caused by covered mechanical or electrical breakdown. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select.

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

133. D — The scenario identifies Direct loss, which means physical damage that results immediately from a covered peril. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely fits the.

134. D — The scenario 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 similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and.

135. B — The scenario identifies Material misrepresentation, which means a false statement that would influence an insurer underwriting decision or policy terms. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term.

136. C — The scenario identifies Condition, which means a duty or requirement that must be met for coverage to apply or continue. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term.

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

138. D — The scenario identifies Physical hazard, which means a tangible condition that increases the likelihood or severity of loss. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely.

139. A — The scenario identifies Risk reduction, which means taking steps to decrease the frequency or severity of potential losses. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely.

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

141. C — The scenario identifies Twisting, which means making misleading comparisons to induce a policyholder to replace or surrender coverage. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the term that precisely.

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

143. A — The scenario 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 similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative.

144. D — The scenario identifies Excess liability policy, which means coverage that increases limits above a designated underlying policy without necessarily broadening coverage. This distinction matters because similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and select the.

145. C — The scenario 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 similar insurance terms can describe separate rights, duties, limits, or regulatory concepts. The other choices name different concepts and do not match the facts given. On an exam, isolate the operative language and.