PRACTICE EXAM 8: 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. An applicant is evaluating an insurance issue involving liability coverage triggered by injury or damage occurring during the policy period. Which term is most accurate?

A. Dwelling policy
B. Comparative negligence
C. Occurrence form
D. Excess liability policy

2. During a policy review, the agent identifies the duty to handle premiums and client funds honestly and separately from personal funds. What concept is being applied?

A. Retroactive date
B. Rebating
C. Fiduciary responsibility
D. Workers compensation

3. Which property and casualty term should a producer use for physical injury, sickness, disease, or resulting death suffered by a person?

A. Bodily injury
B. Surety bond
C. Waiver
D. Commissioner of Insurance

4. A claim file describes an auto the insured leases, hires, rents, or borrows for business use. Which term best characterizes this situation?

A. Subrogation
B. Hired auto
C. Businessowners policy
D. Defense costs

5. When analyzing coverage, which concept refers to a form addressing direct physical loss or damage to covered business property?

A. Facultative reinsurance
B. Representations
C. Supplementary payments
D. Commercial property coverage form

6. An applicant is evaluating an insurance issue involving an unforeseen and unintended event that produces injury or damage. Which term is most accurate?

A. Garagekeepers coverage
B. Accident
C. Underinsured motorist coverage
D. Nonowned auto

7. During a policy review, the agent identifies a contract in which only the insurer makes an enforceable promise to perform. What concept is being applied?

A. Unilateral contract
B. Defamation
C. Adhesion contract
D. Insurable interest

8. Which property and casualty term should a producer use for an accident, including continuous or repeated exposure to substantially the same harmful conditions?

A. Payment bond
B. Concealment
C. Aleatory contract
D. Occurrence

9. A claim file describes the cost to repair or replace with like kind and quality without a depreciation deduction. Which term best characterizes this situation?

A. Unfair discrimination
B. Extra expense coverage
C. Replacement cost
D. Advertising injury

10. When analyzing coverage, which concept refers to the dominant cause that sets an unbroken chain of events in motion?

A. Fidelity bond
B. Directors and officers liability
C. Admitted insurer
D. Proximate cause

11. An applicant is evaluating an insurance issue involving replacement cost reduced by applicable depreciation. Which term is most accurate?

A. Texas FAIR Plan Association
B. Actual cash value
C. Professional liability
D. Actual authority

12. During a policy review, the agent identifies legal responsibility for injury or damage to another person or property. What concept is being applied?

A. Salvage
B. Binder
C. Liability
D. Estoppel

13. Which property and casualty term should a producer use for a condition that increases the frequency or severity of a possible loss?

A. Hazard
B. Commercial general liability policy
C. Vicarious liability
D. Risk transfer

14. A claim file describes the immediate cause of loss, such as fire, theft, or collision. Which term best characterizes this situation?

A. Flood insurance
B. Peril
C. Underwriting
D. Medical payments coverage

15. When analyzing coverage, which concept refers to insurance purchased by an insurer to transfer part of its risk to another insurer?

A. Reinsurance
B. Twisting
C. Equipment breakdown coverage
D. Producer authority

16. An applicant is evaluating an insurance issue involving a chance of loss, no loss, or gain. Which term is most accurate?

A. Mortgagee clause
B. Bailee coverage
C. Policy period
D. Speculative risk

17. During a policy review, the agent identifies failure to use the care a reasonably prudent person would use in similar circumstances. What concept is being applied?

A. Fraud
B. Aggregate limit
C. Negligence
D. Builders risk coverage

18. Which property and casualty term should a producer use for the policy section identifying the insured, coverage, limits, premium, and policy period?

A. Texas Department of Insurance
B. Punitive damages
C. Declarations
D. Rate

19. A claim file describes liability coverage generally triggered by a claim first made during the policy period. Which term best characterizes this situation?

A. Exclusion
B. Claims-made form
C. Nonadmitted insurer
D. Controlled business

20. When analyzing coverage, which concept refers to a policy providing liability and physical damage coverage for covered business autos?

A. Condition
B. Indirect loss
C. Direct loss
D. Commercial auto policy

21. An applicant is evaluating an insurance issue involving eliminating an exposure so that the potential loss cannot occur. Which term is most accurate?

A. Risk avoidance
B. Compensatory damages
C. Appraisal condition
D. Homeowners policy

22. During a policy review, the agent identifies an exclusion commonly addressing loss caused by events such as earthquake, landslide, or earth sinking. What concept is being applied?

A. Earth movement exclusion
B. Deductible
C. Material misrepresentation
D. Property damage

23. Which property and casualty term should a producer use for taking steps to decrease the frequency or severity of potential losses?

A. Contractual liability
B. Risk reduction
C. Ocean marine insurance
D. Other-than-collision coverage

24. A claim file describes termination of a policy before its normal expiration date. Which term best characterizes this situation?

A. Employment practices liability
B. Guaranty association
C. Utmost good faith
D. Cancellation

25. When analyzing coverage, which concept refers to coverage for direct wind-related property damage, subject to policy terms and availability?

A. Products-completed operations hazard
B. Named-peril coverage
C. Windstorm coverage
D. Exposure

26. An applicant is evaluating an insurance issue involving insurance placed with an eligible nonadmitted insurer when coverage is unavailable in the admitted market. Which term is most accurate?

A. Commercial package policy
B. Surplus lines insurance
C. Abandonment
D. Umbrella liability policy

27. During a policy review, the agent identifies the amount charged for insurance coverage. What concept is being applied?

A. Uninsured motorist coverage
B. Moral hazard
C. Premium
D. Policy replacement

28. Which property and casualty term should a producer use for coverage for movable property, transportation exposures, and specialized property interests?

A. Employers liability
B. Certificate of authority
C. Loss of use
D. Inland marine insurance

29. A claim file describes a surety guarantee that a contractor will perform contractual work. Which term best characterizes this situation?

A. Performance bond
B. Cyber liability
C. Statute of limitations
D. Strict liability

30. When analyzing coverage, which concept refers to the most payable for all covered injury or damage arising from one occurrence?

A. Per-occurrence limit
B. Personal injury protection
C. Extended reporting period
D. Open-peril coverage

31. An applicant is evaluating an insurance issue involving a condition requiring insurance to equal a stated percentage of property value to avoid a penalty. Which term is most accurate?

A. Risk retention
B. Texas Windstorm Insurance Association
C. Coinsurance clause
D. Vacancy provision

32. During a policy review, the agent identifies a chance of loss or no loss without the possibility of gain. What concept is being applied?

A. Personal injury
B. Endorsement
C. Nonrenewal
D. Pure risk

33. Which property and casualty term should a producer use for a rule reducing recovery according to the claimant share of fault?

A. Crime coverage
B. Comparative negligence
C. Indemnity
D. Duty of care

34. A claim file describes offering an inducement not stated in the policy to persuade a person to buy insurance. Which term best characterizes this situation?

A. Physical hazard
B. Misrepresentation
C. Insuring agreement
D. Rebating

35. When analyzing coverage, which concept refers to a three-party guarantee that a principal will perform an obligation to an obligee?

A. Surety bond
B. Collision coverage
C. Personal auto policy
D. Scheduled personal property

36. An applicant is evaluating an insurance issue involving expenses the insurer incurs to defend a covered liability claim. Which term is most accurate?

A. Personal umbrella policy
B. Defense costs
C. Morale hazard
D. Occurrence form

37. During a policy review, the agent identifies statements believed true to the applicant knowledge but not guaranteed as absolute facts. What concept is being applied?

A. Fiduciary responsibility
B. Excess liability policy
C. Representations
D. Employee dishonesty coverage

38. Which property and casualty term should a producer use for coverage that can apply when an at-fault driver liability limits are insufficient?

A. Bodily injury
B. Retroactive date
C. Additional living expense
D. Underinsured motorist coverage

39. A claim file describes a contract drafted by one party that is generally accepted without negotiation. Which term best characterizes this situation?

A. Law of large numbers
B. Adhesion contract
C. Hired auto
D. Waiver

40. When analyzing coverage, which concept refers to failure to disclose a material fact that an applicant has a duty to reveal?

A. Commercial property coverage form
B. Business income coverage
C. Concealment
D. Businessowners policy

41. An applicant is evaluating an insurance issue involving making coverage or rate distinctions among similar risks without a sound actuarial or legal basis. Which term is most accurate?

A. Unfair discrimination
B. Apparent authority
C. Supplementary payments
D. Accident

42. During a policy review, the agent identifies coverage for claims alleging wrongful acts in managing an organization. What concept is being applied?

A. Loss payable clause
B. Directors and officers liability
C. Nonowned auto
D. Unilateral contract

43. Which property and casualty term should a producer use for the Texas residual market mechanism that may provide basic property coverage to eligible applicants unable to obtain it voluntarily?

A. Insurable interest
B. Dwelling policy
C. Occurrence
D. Texas FAIR Plan Association

44. A claim file describes remaining damaged property that has residual value after a loss. Which term best characterizes this situation?

A. Salvage
B. Payment bond
C. Replacement cost
D. Workers compensation

45. When analyzing coverage, which concept refers to legal responsibility imposed on one party for the acts of another?

A. Proximate cause
B. Advertising injury
C. Vicarious liability
D. Commissioner of Insurance

46. An applicant is evaluating an insurance issue involving coverage for direct physical loss by flood, commonly obtained through a separate program or policy. Which term is most accurate?

A. Admitted insurer
B. Actual cash value
C. Flood insurance
D. Subrogation

47. During a policy review, the agent identifies the power granted to an agent or producer to act for an insurer within defined limits. What concept is being applied?

A. Actual authority
B. Producer authority
C. Facultative reinsurance
D. Liability

48. Which property and casualty term should a producer use for language protecting a lender interest in covered property subject to stated conditions?

A. Mortgagee clause
B. Garagekeepers coverage
C. Binder
D. Hazard

49. A claim file describes the most payable for all covered losses during the policy period. Which term best characterizes this situation?

A. Peril
B. Risk transfer
C. Defamation
D. Aggregate limit

50. When analyzing coverage, which concept refers to the state agency that regulates the Texas insurance industry and enforces insurance laws?

A. Medical payments coverage
B. Reinsurance
C. Texas Department of Insurance
D. Aleatory contract

51. An applicant is evaluating an insurance issue involving an insurer not licensed in the state but that may be used for eligible surplus-lines placements. Which term is most accurate?

A. Nonadmitted insurer
B. Speculative risk
C. Equipment breakdown coverage
D. Extra expense coverage

52. During a policy review, the agent identifies a duty or requirement that must be met for coverage to apply or continue. What concept is being applied?

A. Bailee coverage
B. Condition
C. Fidelity bond
D. Negligence

53. Which property and casualty term should a producer use for a process for resolving a disagreement about the amount of loss?

A. Fraud
B. Professional liability
C. Declarations
D. Appraisal condition

54. A claim file describes a false statement that would influence an insurer underwriting decision or policy terms. Which term best characterizes this situation?

A. Material misrepresentation
B. Rate
C. Claims-made form
D. Estoppel

55. When analyzing coverage, which concept refers to liability assumed by an insured in a contract, subject to policy terms and exceptions?

A. Controlled business
B. Commercial general liability policy
C. Commercial auto policy
D. Contractual liability

56. An applicant is evaluating an insurance issue involving coverage for specified employment-related allegations such as wrongful termination or discrimination. Which term is most accurate?

A. Underwriting
B. Risk avoidance
C. Employment practices liability
D. Indirect loss

57. During a policy review, the agent identifies a condition or situation that creates the possibility of loss. What concept is being applied?

A. Twisting
B. Exposure
C. Compensatory damages
D. Earth movement exclusion

58. Which property and casualty term should a producer use for an attempted transfer of damaged property to an insurer without policy authority?

A. Policy period
B. Risk reduction
C. Property damage
D. Abandonment

59. A claim file describes coverage for injury caused by a driver without applicable liability insurance. Which term best characterizes this situation?

A. Other-than-collision coverage
B. Uninsured motorist coverage
C. Builders risk coverage
D. Cancellation

60. When analyzing coverage, which concept refers to regulatory authorization allowing an insurer to transact insurance in a state?

A. Guaranty association
B. Punitive damages
C. Certificate of authority
D. Windstorm coverage

61. An applicant is evaluating an insurance issue involving a law setting the deadline for filing a legal action. Which term is most accurate?

A. Statute of limitations
B. Surplus lines insurance
C. Named-peril coverage
D. Exclusion

62. During a policy review, the agent identifies coverage that applies unless the cause of loss is excluded. What concept is being applied?

A. Open-peril coverage
B. Direct loss
C. Premium
D. Umbrella liability policy

63. Which property and casualty term should a producer use for the decision to knowingly absorb a potential loss rather than transfer it to insurance?

A. Moral hazard
B. Risk retention
C. Homeowners policy
D. Inland marine insurance

64. A claim file describes specified nonphysical offenses such as false arrest, libel, or wrongful eviction. Which term best characterizes this situation?

A. Deductible
B. Employers liability
C. Performance bond
D. Personal injury

65. When analyzing coverage, which concept refers to the legal obligation to act with reasonable care toward others?

A. Per-occurrence limit
B. Strict liability
C. Duty of care
D. Ocean marine insurance

66. An applicant is evaluating an insurance issue involving the policy section that broadly states what the insurer agrees to cover. Which term is most accurate?

A. Personal injury protection
B. Coinsurance clause
C. Insuring agreement
D. Utmost good faith

67. During a policy review, the agent identifies a policy providing personal auto liability, medical payments, uninsured motorist, and physical damage coverages. What concept is being applied?

A. Vacancy provision
B. Personal auto policy
C. Pure risk
D. Products-completed operations hazard

68. Which property and casualty term should a producer use for carelessness or indifference to loss because insurance exists?

A. Endorsement
B. Commercial package policy
C. Comparative negligence
D. Morale hazard

69. A claim file describes coverage that increases limits above a designated underlying policy without necessarily broadening coverage. Which term best characterizes this situation?

A. Excess liability policy
B. Policy replacement
C. Rebating
D. Indemnity

70. When analyzing coverage, which concept refers to the earliest date from which acts may be covered under a claims-made policy?

A. Retroactive date
B. Physical hazard
C. Surety bond
D. Loss of use

71. An applicant is evaluating an insurance issue involving the intentional relinquishment of a known right. Which term is most accurate?

A. Defense costs
B. Cyber liability
C. Waiver
D. Scheduled personal property

72. During a policy review, the agent identifies a package policy combining property and liability coverage for eligible small businesses. What concept is being applied?

A. Personal umbrella policy
B. Representations
C. Extended reporting period
D. Businessowners policy

73. Which property and casualty term should a producer use for payments made in addition to liability limits for specified claim-related expenses?

A. Underinsured motorist coverage
B. Supplementary payments
C. Texas Windstorm Insurance Association
D. Employee dishonesty coverage

74. A claim file describes an auto not owned by the business but used in connection with its operations. Which term best characterizes this situation?

A. Nonowned auto
B. Adhesion contract
C. Additional living expense
D. Nonrenewal

75. When analyzing coverage, which concept refers to a financial stake that would cause loss if the covered property is damaged?

A. Concealment
B. Insurable interest
C. Law of large numbers
D. Crime coverage

76. An applicant is evaluating an insurance issue involving a surety guarantee that certain labor and material obligations will be paid. Which term is most accurate?

A. Business income coverage
B. Unfair discrimination
C. Misrepresentation
D. Payment bond

77. During a policy review, the agent identifies specified offenses arising from advertising activities, such as certain copyright or slogan claims. What concept is being applied?

A. Apparent authority
B. Directors and officers liability
C. Advertising injury
D. Collision coverage

78. Which property and casualty term should a producer use for an insurer authorized by the state to transact insurance and subject to its regulation?

A. Occurrence form
B. Texas FAIR Plan Association
C. Loss payable clause
D. Admitted insurer

79. A claim file describes authority expressly granted by the principal to an agent. Which term best characterizes this situation?

A. Fiduciary responsibility
B. Actual authority
C. Salvage
D. Dwelling policy

80. When analyzing coverage, which concept refers to temporary evidence of insurance pending issuance of a policy?

A. Vicarious liability
B. Workers compensation
C. Binder
D. Bodily injury

81. An applicant is evaluating an insurance issue involving shifting financial consequences of loss to another party through insurance or contract. Which term is most accurate?

A. Risk transfer
B. Hired auto
C. Commissioner of Insurance
D. Flood insurance

82. During a policy review, the agent identifies coverage for reasonable medical expenses regardless of fault, subject to policy terms. What concept is being applied?

A. Medical payments coverage
B. Producer authority
C. Commercial property coverage form
D. Subrogation

83. Which property and casualty term should a producer use for coverage for certain direct damage and loss caused by covered mechanical or electrical breakdown?

A. Facultative reinsurance
B. Accident
C. Mortgagee clause
D. Equipment breakdown coverage

84. A claim file describes coverage for property of customers while it is in the insured custody, care, or control. Which term best characterizes this situation?

A. Unilateral contract
B. Garagekeepers coverage
C. Bailee coverage
D. Aggregate limit

85. When analyzing coverage, which concept refers to an intentional deception used to obtain an improper benefit or cause a loss?

A. Defamation
B. Fraud
C. Occurrence
D. Texas Department of Insurance

86. An applicant is evaluating an insurance issue involving the price per unit of insurance used to calculate a premium. Which term is most accurate?

A. Aleatory contract
B. Nonadmitted insurer
C. Rate
D. Replacement cost

87. During a policy review, the agent identifies insurance written primarily on the producer, family, employer, or business interests rather than the general public. What concept is being applied?

A. Controlled business
B. Condition
C. Proximate cause
D. Extra expense coverage

88. Which property and casualty term should a producer use for a financial consequence that follows from direct property damage?

A. Actual cash value
B. Indirect loss
C. Fidelity bond
D. Appraisal condition

89. A claim file describes money intended to reimburse an injured party for actual loss. Which term best characterizes this situation?

A. Material misrepresentation
B. Professional liability
C. Liability
D. Compensatory damages

90. When analyzing coverage, which concept refers to physical injury to tangible property, including resulting loss of use?

A. Contractual liability
B. Property damage
C. Hazard
D. Estoppel

91. An applicant is evaluating an insurance issue involving physical damage coverage for losses other than collision, such as theft, fire, or hail. Which term is most accurate?

A. Employment practices liability
B. Peril
C. Commercial general liability policy
D. Other-than-collision coverage

92. During a policy review, the agent identifies a state-created mechanism that may help pay certain covered claims of an insolvent admitted insurer. What concept is being applied?

A. Exposure
B. Underwriting
C. Guaranty association
D. Reinsurance

93. Which property and casualty term should a producer use for coverage that applies only to perils specifically listed in the policy?

A. Named-peril coverage
B. Twisting
C. Speculative risk
D. Abandonment

94. A claim file describes excess liability coverage that may also broaden selected underlying coverage. Which term best characterizes this situation?

A. Negligence
B. Uninsured motorist coverage
C. Umbrella liability policy
D. Policy period

95. When analyzing coverage, which concept refers to a character-related condition that increases the chance of intentional loss?

A. Builders risk coverage
B. Declarations
C. Certificate of authority
D. Moral hazard

96. An applicant is evaluating an insurance issue involving coverage for certain employee injury claims not covered by workers compensation law. Which term is most accurate?

A. Punitive damages
B. Employers liability
C. Statute of limitations
D. Claims-made form

97. During a policy review, the agent identifies liability that may be imposed without proving negligence when law assigns responsibility for a dangerous activity or product. What concept is being applied?

A. Strict liability
B. Commercial auto policy
C. Open-peril coverage
D. Exclusion

98. Which property and casualty term should a producer use for first-party coverage for specified medical and income-loss benefits, subject to policy terms?

A. Direct loss
B. Risk avoidance
C. Risk retention
D. Personal injury protection

99. A claim file describes a condition that can restrict certain property coverage after a building is vacant for a stated period. Which term best characterizes this situation?

A. Homeowners policy
B. Earth movement exclusion
C. Vacancy provision
D. Personal injury

100. When analyzing coverage, which concept refers to a written amendment that adds, removes, or changes policy terms?

A. Endorsement
B. Deductible
C. Risk reduction
D. Duty of care

101. An applicant is evaluating an insurance issue involving restoring an insured to approximately the financial position held before a covered loss. Which term is most accurate?

A. Insuring agreement
B. Indemnity
C. Ocean marine insurance
D. Cancellation

102. During a policy review, the agent identifies a tangible condition that increases the likelihood or severity of loss. What concept is being applied?

A. Windstorm coverage
B. Physical hazard
C. Personal auto policy
D. Utmost good faith

103. Which property and casualty term should a producer use for coverage that lists individual high-value items separately with stated coverage?

A. Morale hazard
B. Products-completed operations hazard
C. Scheduled personal property
D. Surplus lines insurance

104. A claim file describes personal excess liability coverage above required underlying personal policies. Which term best characterizes this situation?

A. Commercial package policy
B. Excess liability policy
C. Premium
D. Personal umbrella policy

105. When analyzing coverage, which concept refers to crime coverage for loss caused by dishonest acts of employees?

A. Employee dishonesty coverage
B. Policy replacement
C. Inland marine insurance
D. Retroactive date

106. An applicant is evaluating an insurance issue involving coverage for necessary increased living costs when a covered loss makes a residence uninhabitable. Which term is most accurate?

A. Waiver
B. Loss of use
C. Additional living expense
D. Performance bond

107. During a policy review, the agent identifies the principle that loss predictions become more reliable as the number of similar exposure units increases. What concept is being applied?

A. Law of large numbers
B. Businessowners policy
C. Cyber liability
D. Per-occurrence limit

108. Which property and casualty term should a producer use for coverage for lost income and continuing normal operating expenses after covered property damage?

A. Coinsurance clause
B. Supplementary payments
C. Extended reporting period
D. Business income coverage

109. A claim file describes authority a third party reasonably believes an agent has because of the principal conduct. Which term best characterizes this situation?

A. Texas Windstorm Insurance Association
B. Apparent authority
C. Pure risk
D. Nonowned auto

110. When analyzing coverage, which concept refers to language directing payment to a party with an insured financial interest in property?

A. Comparative negligence
B. Nonrenewal
C. Insurable interest
D. Loss payable clause

111. An applicant is evaluating an insurance issue involving property insurance primarily designed for a dwelling that may not qualify for a homeowners package. Which term is most accurate?

A. Rebating
B. Dwelling policy
C. Crime coverage
D. Payment bond

112. During a policy review, the agent identifies statutory coverage for employment-related injury or disease without ordinary negligence litigation. What concept is being applied?

A. Misrepresentation
B. Surety bond
C. Workers compensation
D. Advertising injury

113. Which property and casualty term should a producer use for the state official who administers the Texas Department of Insurance and exercises assigned regulatory authority?

A. Commissioner of Insurance
B. Defense costs
C. Admitted insurer
D. Collision coverage

114. A claim file describes the insurer right to recover from a responsible third party after paying a loss. Which term best characterizes this situation?

A. Representations
B. Subrogation
C. Actual authority
D. Occurrence form

115. When analyzing coverage, which concept refers to reinsurance negotiated separately for an individual risk?

A. Binder
B. Underinsured motorist coverage
C. Facultative reinsurance
D. Fiduciary responsibility

116. An applicant is evaluating an insurance issue involving coverage for customer autos left in the care of a garage operation. Which term is most accurate?

A. Garagekeepers coverage
B. Risk transfer
C. Adhesion contract
D. Bodily injury

117. During a policy review, the agent identifies making false malicious statements that injure an insurer or producer reputation. What concept is being applied?

A. Hired auto
B. Concealment
C. Medical payments coverage
D. Defamation

118. Which property and casualty term should a producer use for a contract in which the exchange of values may be unequal because payment depends on chance?

A. Aleatory contract
B. Equipment breakdown coverage
C. Commercial property coverage form
D. Unfair discrimination

119. A claim file describes coverage for necessary added expense incurred to continue operations after a covered loss. Which term best characterizes this situation?

A. Accident
B. Extra expense coverage
C. Bailee coverage
D. Directors and officers liability

120. When analyzing coverage, which concept refers to a bond protecting an employer against dishonest acts by employees?

A. Texas FAIR Plan Association
B. Fraud
C. Unilateral contract
D. Fidelity bond

121. An applicant is evaluating an insurance issue involving coverage for claims alleging negligent professional services or errors and omissions. Which term is most accurate?

A. Rate
B. Salvage
C. Professional liability
D. Occurrence

122. During a policy review, the agent identifies a rule preventing a party from asserting a right after conduct caused reasonable reliance. What concept is being applied?

A. Replacement cost
B. Vicarious liability
C. Controlled business
D. Estoppel

123. Which property and casualty term should a producer use for a policy covering common business liability exposures for bodily injury, property damage, and personal and advertising injury?

A. Flood insurance
B. Commercial general liability policy
C. Proximate cause
D. Indirect loss

124. A claim file describes the process of evaluating risk and deciding whether and on what terms to insure it. Which term best characterizes this situation?

A. Actual cash value
B. Compensatory damages
C. Underwriting
D. Producer authority

125. When analyzing coverage, which concept refers to making misleading comparisons to induce a policyholder to replace or surrender coverage?

A. Twisting
B. Mortgagee clause
C. Property damage
D. Liability

126. An applicant is evaluating an insurance issue involving the stated interval during which coverage is in force. Which term is most accurate?

A. Other-than-collision coverage
B. Hazard
C. Aggregate limit
D. Policy period

127. During a policy review, the agent identifies property coverage for a building or structure while it is under construction. What concept is being applied?

A. Builders risk coverage
B. Texas Department of Insurance
C. Guaranty association
D. Peril

128. Which property and casualty term should a producer use for money intended to punish particularly wrongful conduct rather than compensate loss?

A. Named-peril coverage
B. Punitive damages
C. Nonadmitted insurer
D. Reinsurance

129. A claim file describes policy language removing specified causes, property, persons, or losses from coverage. Which term best characterizes this situation?

A. Speculative risk
B. Umbrella liability policy
C. Exclusion
D. Condition

130. When analyzing coverage, which concept refers to physical damage that results immediately from a covered peril?

A. Appraisal condition
B. Moral hazard
C. Direct loss
D. Negligence

131. An applicant is evaluating an insurance issue involving a package policy combining personal property, dwelling, liability, and additional living expense coverages. Which term is most accurate?

A. Material misrepresentation
B. Declarations
C. Employers liability
D. Homeowners policy

132. During a policy review, the agent identifies the portion of a covered loss that the insured retains before policy payment. What concept is being applied?

A. Strict liability
B. Deductible
C. Contractual liability
D. Claims-made form

133. Which property and casualty term should a producer use for coverage for vessels, cargo, and related maritime interests?

A. Ocean marine insurance
B. Personal injury protection
C. Commercial auto policy
D. Employment practices liability

134. A claim file describes the expectation that each party deals honestly and discloses material information. Which term best characterizes this situation?

A. Risk avoidance
B. Vacancy provision
C. Utmost good faith
D. Exposure

135. When analyzing coverage, which concept refers to liability arising from products or completed work after possession or work is finished?

A. Earth movement exclusion
B. Products-completed operations hazard
C. Endorsement
D. Abandonment

136. An applicant is evaluating an insurance issue involving a flexible policy combining selected commercial property and liability coverage parts. Which term is most accurate?

A. Indemnity
B. Risk reduction
C. Uninsured motorist coverage
D. Commercial package policy

137. During a policy review, the agent identifies the transaction in which new coverage causes existing coverage to be terminated, reduced, or surrendered. What concept is being applied?

A. Policy replacement
B. Physical hazard
C. Cancellation
D. Certificate of authority

138. Which property and casualty term should a producer use for coverage for certain economic consequences of inability to use covered property after a covered loss?

A. Windstorm coverage
B. Statute of limitations
C. Loss of use
D. Scheduled personal property

139. A claim file describes coverage addressing specified losses and liability arising from data or network incidents. Which term best characterizes this situation?

A. Cyber liability
B. Personal umbrella policy
C. Open-peril coverage
D. Surplus lines insurance

140. When analyzing coverage, which concept refers to additional time to report claims after a claims-made policy ends?

A. Risk retention
B. Extended reporting period
C. Premium
D. Employee dishonesty coverage

141. An applicant is evaluating an insurance issue involving the Texas residual market mechanism that may provide windstorm and hail coverage in designated areas when eligibility requirements are met. Which term is most accurate?

A. Additional living expense
B. Personal injury
C. Inland marine insurance
D. Texas Windstorm Insurance Association

142. During a policy review, the agent identifies the insurer decision not to continue a policy at the end of its term. What concept is being applied?

A. Duty of care
B. Law of large numbers
C. Nonrenewal
D. Performance bond

143. Which property and casualty term should a producer use for coverage for specified losses caused by theft, employee dishonesty, forgery, or similar acts?

A. Per-occurrence limit
B. Crime coverage
C. Insuring agreement
D. Business income coverage

144. A claim file describes making a false or misleading statement about a policy, insurer, or insurance benefit. Which term best characterizes this situation?

A. Coinsurance clause
B. Personal auto policy
C. Apparent authority
D. Misrepresentation

145. When analyzing coverage, which concept refers to physical damage coverage for upset of a covered auto or impact with another vehicle or object?

A. Collision coverage
B. Morale hazard
C. Pure risk
D. Loss payable clause

Practice Exam 8: Answer Key and Explanations

1. C — The facts identify Occurrence form, which means liability coverage triggered by injury or damage occurring during the policy period. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

2. C — The facts identify Fiduciary responsibility, which means the duty to handle premiums and client funds honestly and separately from personal funds. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and.

3. A — The facts identify Bodily injury, which means physical injury, sickness, disease, or resulting death suffered by a person. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

4. B — The facts identify Hired auto, which means an auto the insured leases, hires, rents, or borrows for business use. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

5. D — The facts identify Commercial property coverage form, which means a form addressing direct physical loss or damage to covered business property. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and.

6. B — The facts identify Accident, which means an unforeseen and unintended event that produces injury or damage. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that precisely.

7. A — The facts identify Unilateral contract, which means a contract in which only the insurer makes an enforceable promise to perform. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

8. D — The facts identify Occurrence, which means an accident, including continuous or repeated exposure to substantially the same harmful conditions. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

9. C — The facts identify Replacement cost, which means the cost to repair or replace with like kind and quality without a depreciation deduction. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language.

10. D — The facts identify Proximate cause, which means the dominant cause that sets an unbroken chain of events in motion. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

11. B — The facts identify Actual cash value, which means replacement cost reduced by applicable depreciation. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that precisely applies to.

12. C — The facts identify Liability, which means legal responsibility for injury or damage to another person or property. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that.

13. A — The facts identify Hazard, which means a condition that increases the frequency or severity of a possible loss. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

14. B — The facts identify Peril, which means the immediate cause of loss, such as fire, theft, or collision. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that.

15. A — The facts identify Reinsurance, which means insurance purchased by an insurer to transfer part of its risk to another insurer. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

16. D — The facts identify Speculative risk, which means a chance of loss, no loss, or gain. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that precisely applies.

17. C — The facts identify Negligence, which means failure to use the care a reasonably prudent person would use in similar circumstances. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

18. C — The facts identify Declarations, which means the policy section identifying the insured, coverage, limits, premium, and policy period. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

19. B — The facts identify Claims-made form, which means liability coverage generally triggered by a claim first made during the policy period. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

20. D — The facts identify Commercial auto policy, which means a policy providing liability and physical damage coverage for covered business autos. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

21. A — The facts identify Risk avoidance, which means eliminating an exposure so that the potential loss cannot occur. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that.

22. A — The facts identify Earth movement exclusion, which means an exclusion commonly addressing loss caused by events such as earthquake, landslide, or earth sinking. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative.

23. B — The facts identify Risk reduction, which means taking steps to decrease the frequency or severity of potential losses. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

24. D — The facts identify Cancellation, which means termination of a policy before its normal expiration date. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that precisely applies.

25. C — The facts identify Windstorm coverage, which means coverage for direct wind-related property damage, subject to policy terms and availability. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

26. B — The facts identify Surplus lines insurance, which means insurance placed with an eligible nonadmitted insurer when coverage is unavailable in the admitted market. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative.

27. C — The facts identify Premium, which means the amount charged for insurance coverage. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that precisely applies to the situation.

28. D — The facts identify Inland marine insurance, which means coverage for movable property, transportation exposures, and specialized property interests. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

29. A — The facts identify Performance bond, which means a surety guarantee that a contractor will perform contractual work. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that.

30. A — The facts identify Per-occurrence limit, which means the most payable for all covered injury or damage arising from one occurrence. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

31. C — The facts identify Coinsurance clause, which means a condition requiring insurance to equal a stated percentage of property value to avoid a penalty. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative.

32. D — The facts identify Pure risk, which means a chance of loss or no loss without the possibility of gain. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

33. B — The facts identify Comparative negligence, which means a rule reducing recovery according to the claimant share of fault. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

34. D — The facts identify Rebating, which means offering an inducement not stated in the policy to persuade a person to buy insurance. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and.

35. A — The facts identify Surety bond, which means a three-party guarantee that a principal will perform an obligation to an obligee. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

36. B — The facts identify Defense costs, which means expenses the insurer incurs to defend a covered liability claim. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that.

37. C — The facts identify Representations, which means statements believed true to the applicant knowledge but not guaranteed as absolute facts. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

38. D — The facts identify Underinsured motorist coverage, which means coverage that can apply when an at-fault driver liability limits are insufficient. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

39. B — The facts identify Adhesion contract, which means a contract drafted by one party that is generally accepted without negotiation. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

40. C — The facts identify Concealment, which means failure to disclose a material fact that an applicant has a duty to reveal. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

41. A — The facts identify Unfair discrimination, which means making coverage or rate distinctions among similar risks without a sound actuarial or legal basis. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language.

42. B — The facts identify Directors and officers liability, which means coverage for claims alleging wrongful acts in managing an organization. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

43. D — The facts identify 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 policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an.

44. A — The facts identify Salvage, which means remaining damaged property that has residual value after a loss. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that precisely.

45. C — The facts identify Vicarious liability, which means legal responsibility imposed on one party for the acts of another. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

46. C — The facts identify Flood insurance, which means coverage for direct physical loss by flood, commonly obtained through a separate program or policy. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language.

47. B — The facts identify Producer authority, which means the power granted to an agent or producer to act for an insurer within defined limits. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative.

48. A — The facts identify Mortgagee clause, which means language protecting a lender interest in covered property subject to stated conditions. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

49. D — The facts identify Aggregate limit, which means the most payable for all covered losses during the policy period. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

50. C — The facts identify Texas Department of Insurance, which means the state agency that regulates the Texas insurance industry and enforces insurance laws. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language.

51. A — The facts identify 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 policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative.

52. B — The facts identify Condition, which means a duty or requirement that must be met for coverage to apply or continue. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

53. D — The facts identify Appraisal condition, which means a process for resolving a disagreement about the amount of loss. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

54. A — The facts identify Material misrepresentation, which means a false statement that would influence an insurer underwriting decision or policy terms. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

55. D — The facts identify Contractual liability, which means liability assumed by an insured in a contract, subject to policy terms and exceptions. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and.

56. C — The facts identify Employment practices liability, which means coverage for specified employment-related allegations such as wrongful termination or discrimination. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

57. B — The facts identify Exposure, which means a condition or situation that creates the possibility of loss. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that precisely.

58. D — The facts identify Abandonment, which means an attempted transfer of damaged property to an insurer without policy authority. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

59. B — The facts identify Uninsured motorist coverage, which means coverage for injury caused by a driver without applicable liability insurance. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

60. C — The facts identify Certificate of authority, which means regulatory authorization allowing an insurer to transact insurance in a state. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

61. A — The facts identify Statute of limitations, which means a law setting the deadline for filing a legal action. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

62. A — The facts identify Open-peril coverage, which means coverage that applies unless the cause of loss is excluded. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that.

63. B — The facts identify Risk retention, which means the decision to knowingly absorb a potential loss rather than transfer it to insurance. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and.

64. D — The facts identify Personal injury, which means specified nonphysical offenses such as false arrest, libel, or wrongful eviction. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

65. C — The facts identify Duty of care, which means the legal obligation to act with reasonable care toward others. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

66. C — The facts identify Insuring agreement, which means the policy section that broadly states what the insurer agrees to cover. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

67. B — The facts identify Personal auto policy, which means a policy providing personal auto liability, medical payments, uninsured motorist, and physical damage coverages. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language.

68. D — The facts identify Morale hazard, which means carelessness or indifference to loss because insurance exists. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that precisely applies.

69. A — The facts identify Excess liability policy, which means coverage that increases limits above a designated underlying policy without necessarily broadening coverage. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and.

70. A — The facts identify Retroactive date, which means the earliest date from which acts may be covered under a claims-made policy. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

71. C — The facts identify Waiver, which means the intentional relinquishment of a known right. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that precisely applies to the.

72. D — The facts identify Businessowners policy, which means a package policy combining property and liability coverage for eligible small businesses. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

73. B — The facts identify Supplementary payments, which means payments made in addition to liability limits for specified claim-related expenses. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

74. A — The facts identify Nonowned auto, which means an auto not owned by the business but used in connection with its operations. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and.

75. B — The facts identify Insurable interest, which means a financial stake that would cause loss if the covered property is damaged. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

76. D — The facts identify Payment bond, which means a surety guarantee that certain labor and material obligations will be paid. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

77. C — The facts identify Advertising injury, which means specified offenses arising from advertising activities, such as certain copyright or slogan claims. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

78. D — The facts identify Admitted insurer, which means an insurer authorized by the state to transact insurance and subject to its regulation. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and.

79. B — The facts identify Actual authority, which means authority expressly granted by the principal to an agent. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that precisely.

80. C — The facts identify Binder, which means temporary evidence of insurance pending issuance of a policy. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that precisely applies.

81. A — The facts identify Risk transfer, which means shifting financial consequences of loss to another party through insurance or contract. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

82. A — The facts identify Medical payments coverage, which means coverage for reasonable medical expenses regardless of fault, subject to policy terms. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

83. D — The facts identify Equipment breakdown coverage, which means coverage for certain direct damage and loss caused by covered mechanical or electrical breakdown. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language.

84. C — The facts identify Bailee coverage, which means coverage for property of customers while it is in the insured custody, care, or control. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language.

85. B — The facts identify Fraud, which means an intentional deception used to obtain an improper benefit or cause a loss. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

86. C — The facts identify Rate, which means the price per unit of insurance used to calculate a premium. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that.

87. A — The facts identify Controlled business, which means insurance written primarily on the producer, family, employer, or business interests rather than the general public. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative.

88. B — The facts identify Indirect loss, which means a financial consequence that follows from direct property damage. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that precisely.

89. D — The facts identify Compensatory damages, which means money intended to reimburse an injured party for actual loss. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that.

90. B — The facts identify Property damage, which means physical injury to tangible property, including resulting loss of use. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that.

91. D — The facts identify Other-than-collision coverage, which means physical damage coverage for losses other than collision, such as theft, fire, or hail. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and.

92. C — The facts identify Guaranty association, which means a state-created mechanism that may help pay certain covered claims of an insolvent admitted insurer. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language.

93. A — The facts identify Named-peril coverage, which means coverage that applies only to perils specifically listed in the policy. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

94. C — The facts identify Umbrella liability policy, which means excess liability coverage that may also broaden selected underlying coverage. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

95. D — The facts identify Moral hazard, which means a character-related condition that increases the chance of intentional loss. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that.

96. B — The facts identify Employers liability, which means coverage for certain employee injury claims not covered by workers compensation law. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

97. A — The facts identify 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 policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on.

98. D — The facts identify Personal injury protection, which means first-party coverage for specified medical and income-loss benefits, subject to policy terms. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

99. C — The facts identify 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 policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the.

100. A — The facts identify Endorsement, which means a written amendment that adds, removes, or changes policy terms. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that precisely.

101. B — The facts identify Indemnity, which means restoring an insured to approximately the financial position held before a covered loss. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

102. B — The facts identify Physical hazard, which means a tangible condition that increases the likelihood or severity of loss. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

103. C — The facts identify Scheduled personal property, which means coverage that lists individual high-value items separately with stated coverage. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

104. D — The facts identify Personal umbrella policy, which means personal excess liability coverage above required underlying personal policies. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that.

105. A — The facts identify Employee dishonesty coverage, which means crime coverage for loss caused by dishonest acts of employees. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

106. C — The facts identify Additional living expense, which means coverage for necessary increased living costs when a covered loss makes a residence uninhabitable. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language.

107. A — The facts identify 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 policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on.

108. D — The facts identify Business income coverage, which means coverage for lost income and continuing normal operating expenses after covered property damage. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and.

109. B — The facts identify Apparent authority, which means authority a third party reasonably believes an agent has because of the principal conduct. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and.

110. D — The facts identify Loss payable clause, which means language directing payment to a party with an insured financial interest in property. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and.

111. B — The facts identify Dwelling policy, which means property insurance primarily designed for a dwelling that may not qualify for a homeowners package. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language.

112. C — The facts identify Workers compensation, which means statutory coverage for employment-related injury or disease without ordinary negligence litigation. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

113. A — The facts identify Commissioner of Insurance, which means the state official who administers the Texas Department of Insurance and exercises assigned regulatory authority. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative.

114. B — The facts identify Subrogation, which means the insurer right to recover from a responsible third party after paying a loss. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

115. C — The facts identify Facultative reinsurance, which means reinsurance negotiated separately for an individual risk. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that precisely applies to.

116. A — The facts identify Garagekeepers coverage, which means coverage for customer autos left in the care of a garage operation. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

117. D — The facts identify Defamation, which means making false malicious statements that injure an insurer or producer reputation. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that.

118. A — The facts identify Aleatory contract, which means a contract in which the exchange of values may be unequal because payment depends on chance. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative.

119. B — The facts identify Extra expense coverage, which means coverage for necessary added expense incurred to continue operations after a covered loss. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and.

120. D — The facts identify Fidelity bond, which means a bond protecting an employer against dishonest acts by employees. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that.

121. C — The facts identify Professional liability, which means coverage for claims alleging negligent professional services or errors and omissions. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

122. D — The facts identify Estoppel, which means a rule preventing a party from asserting a right after conduct caused reasonable reliance. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

123. B — The facts identify 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 policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus.

124. C — The facts identify Underwriting, which means the process of evaluating risk and deciding whether and on what terms to insure it. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and.

125. A — The facts identify Twisting, which means making misleading comparisons to induce a policyholder to replace or surrender coverage. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

126. D — The facts identify Policy period, which means the stated interval during which coverage is in force. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that precisely.

127. A — The facts identify Builders risk coverage, which means property coverage for a building or structure while it is under construction. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

128. B — The facts identify Punitive damages, which means money intended to punish particularly wrongful conduct rather than compensate loss. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

129. C — The facts identify Exclusion, which means policy language removing specified causes, property, persons, or losses from coverage. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that.

130. C — The facts identify Direct loss, which means physical damage that results immediately from a covered peril. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that precisely.

131. D — The facts identify Homeowners policy, which means a package policy combining personal property, dwelling, liability, and additional living expense coverages. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

132. B — The facts identify Deductible, which means the portion of a covered loss that the insured retains before policy payment. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

133. A — The facts identify Ocean marine insurance, which means coverage for vessels, cargo, and related maritime interests. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term that precisely.

134. C — The facts identify Utmost good faith, which means the expectation that each party deals honestly and discloses material information. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

135. B — The facts identify Products-completed operations hazard, which means liability arising from products or completed work after possession or work is finished. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and.

136. D — The facts identify Commercial package policy, which means a flexible policy combining selected commercial property and liability coverage parts. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

137. A — The facts identify Policy replacement, which means the transaction in which new coverage causes existing coverage to be terminated, reduced, or surrendered. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language.

138. C — The facts identify Loss of use, which means coverage for certain economic consequences of inability to use covered property after a covered loss. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative.

139. A — The facts identify Cyber liability, which means coverage addressing specified losses and liability arising from data or network incidents. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

140. B — The facts identify Extended reporting period, which means additional time to report claims after a claims-made policy ends. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the term.

141. D — The facts identify 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 policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On.

142. C — The facts identify Nonrenewal, which means the insurer decision not to continue a policy at the end of its term. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

143. B — The facts identify Crime coverage, which means coverage for specified losses caused by theft, employee dishonesty, forgery, or similar acts. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select.

144. D — The facts identify Misrepresentation, which means making a false or misleading statement about a policy, insurer, or insurance benefit. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative language and select the.

145. A — The facts identify Collision coverage, which means physical damage coverage for upset of a covered auto or impact with another vehicle or object. This distinction matters because policy and regulatory terms can describe different rights, duties, limits, or coverage concepts. The other choices name separate concepts and do not fit the stated facts. On an exam, focus on the operative.