

Texas All Lines Adjuster

Designated Home State License Study Guide

EXAM 12 | 150 Original Practice Questions

Practice edition aligned to the Texas All Lines Adjuster published content outline. This is an independent learning aid - not an official exam, not affiliated with Texas Department of Insurance or Pearson VUE, and not a source of legal advice.

Use it like a full practice exam: allow up to 180 minutes, select one answer per question, then check the answer key with explanations.

How this guide is organized

Questions follow the Texas outline proportions: 1-60 product knowledge; 61-120 insurance terms and related concepts; 121-150 Texas statutes, rules, and adjuster practices. Questions are original and are written to test concepts - always verify current law, rules, and testing policies with official sources.

Exam-day study targets

- Read the whole policy path: declarations, insuring agreement, definitions, exclusions, conditions, endorsements, and limits.
- Separate coverage questions from valuation questions. Appraisal usually concerns amount of loss, not coverage.
- For Texas-law questions, focus on truthful communications, documentation, fair claim handling, licensing, and workers compensation basics.
- Do not rely on this guide for a real claim decision. Policy wording and current law control.

Published-outline reference

Texas Administrative Code 28 TAC §19.1018 identifies the All Lines Adjuster subject distribution. Pearson VUE publishes the current Texas content outline and candidate handbook. Texas Department of Insurance publishes designated-home-state licensing guidance.

Official sources (accessed August 31, 2026):

Texas Department of Insurance: <https://www.tdi.texas.gov/agent/adjuster-designated-home-state-apply.html>

Pearson VUE Texas Insurance Content Outlines: <https://www.pearsonvue.com/content/dam/VUE/vue/en/documents/publications/124401.pdf>

Texas rule text: <https://www.tdi.texas.gov/rules/2002/1217-059.html>

Practice Questions

Section I - Product Knowledge (Questions 1-60)

1. Which statement is most accurate? Under the Standard Fire Policy, which action best supports a proper claim investigation after a loss?

- A. Begin permanent repairs before documenting damage
- B. Wait for the insurer to request notice
- C. Promptly report the loss and protect property from further damage
- D. Abandon all damaged property to the insurer

2. Choose the best answer: A businessowners policy (BOP) is generally designed for:

- A. Eligible small to medium businesses needing packaged property and liability coverage
- B. Only ocean cargo shippers
- C. Only residential tenants
- D. Only public entities

3. Which statement is most accurate? CGL Coverage B generally concerns:

- A. Commercial auto physical damage
- B. Crime loss
- C. Personal and advertising injury
- D. Workers compensation

4. Choose the best answer: Commercial general liability Coverage A principally addresses:

- A. Bodily injury and property damage liability
- B. Employee theft
- C. Professional errors only
- D. Damage to the insured's own property from fire

5. Which statement is most accurate? A bailee customers policy is intended to protect against covered loss to:

- A. Only money in a bank
- B. Government-owned roads
- C. Customers' property in the insured's care
- D. The insured's own residence

6. Choose the best answer: Replacement cost coverage generally differs from actual cash value because replacement cost:

- A. Always includes land value
- B. Does not deduct depreciation when policy conditions are met
- C. Pays every loss without a deductible
- D. Applies only to liability claims

7. Which statement is most accurate? A tenant's HO policy is primarily designed to insure:

- A. Only the tenant's automobile
- B. The condominium association's common elements
- C. The tenant's personal property and liability, not the building
- D. The landlord's building only

8. Choose the best answer: A proof of loss is primarily a sworn statement that:

- A. Transfers title to the insurer
- B. Documents the insured's claim and amount of loss
- C. Sets the premium for renewal
- D. Cancels the policy

9. Which statement is most accurate? Extra expense coverage most directly helps a business:

- A. Replace obsolete inventory at any time
- B. Avoid liability deductibles
- C. Pay reasonable added costs to continue or resume operations after a covered loss
- D. Pay fines for regulatory violations

10. Choose the best answer: A surety bond differs from insurance because a surety bond typically involves:

- A. Three parties: principal, obligee, and surety
- B. Only insurer and insured
- C. No contractual promise
- D. Only two insureds

11. Which statement is most accurate? Which cause of loss is typically excluded by standard homeowners forms unless separately addressed?

- A. Theft
- B. Windstorm
- C. Flood
- D. Fire

12. Choose the best answer: Which is an example of a direct physical loss?

- A. Fire damage to a building
- B. Lost rental income following a fire
- C. Lost market share after a competitor opens
- D. Higher future premiums

13. Which statement is most accurate? Under a typical property policy appraisal condition, appraisal is used to resolve:

- A. Whether fraud occurred
- B. Whether an exclusion applies
- C. Whether coverage exists
- D. The amount of loss

14. Choose the best answer: In a performance bond, the principal is generally the party that:

- A. Has the duty to perform the contract
- B. Receives payment for a loss
- C. Sets insurance rates
- D. Adjusts the claim

15. Which statement is most accurate? Which item is most likely covered under “other structures” rather than the dwelling limit?

- A. Attached porch
- B. Foundation
- C. Detached garage
- D. Built-in kitchen cabinets

16. Choose the best answer: A binder is best described as:

- A. Temporary evidence of insurance pending policy issuance or rejection
- B. A permanent claim settlement
- C. A court judgment
- D. A proof of loss

17. Which statement is most accurate? Business income coverage is designed to address:

- A. A customer's bodily injury claim
- B. Routine equipment maintenance
- C. Lost income and continuing expenses following a covered property loss
- D. The market value of stock investments

18. Choose the best answer: Property damage liability under a PAP generally addresses:

- A. Damage an insured causes to another person's property
- B. Damage to the insured's own covered auto from collision
- C. Medical expenses of the insured's passengers regardless of fault
- D. The insured's lost wages

19. Which statement is most accurate? Under a commercial property policy, a building-and-personal-property coverage form may insure:

- A. Only employee injuries
- B. Only ocean cargo
- C. Building, business personal property, and property of others as applicable
- D. Only liability judgments

20. Choose the best answer: Which coverage is most likely to respond to damage to an insured auto after it overturns?

- A. Collision
- B. Bodily injury liability
- C. Uninsured motorists bodily injury
- D. Supplementary payments

21. Which statement is most accurate? An endorsement is used to:

- A. Set a court date
- B. Cancel all coverage automatically
- C. Modify the terms, coverage, or conditions of a policy
- D. Replace an application with a claim form

22. Choose the best answer: Uninsured/underinsured motorist coverage is intended to protect an insured who is legally entitled to recover from:

- A. A financially irresponsible or inadequately insured motorist
- B. The insured's own insurer for any maintenance issue
- C. A parking garage owner for property damage
- D. A manufacturer for warranty repair

23. Which statement is most accurate? A dwelling policy is commonly used to insure:

- A. An employee's workers compensation benefits
- B. Aircraft liability
- C. A residence that may not meet a homeowners form's eligibility requirements
- D. Only mobile medical equipment

24. Choose the best answer: Marine cargo coverage is designed principally for:

- A. Goods being transported by water or related transit
- B. Damage to a fishing boat's engine only
- C. Workers compensation benefits
- D. A homeowner's furniture in a residence

25. Which statement is most accurate? A mortgagee clause is important because it may:

- A. Eliminate the insured's duties after loss
- B. Make flood coverage automatic
- C. Protect the mortgagee's interest under stated policy conditions
- D. Convert liability coverage to health insurance

26. Choose the best answer: Medical payments coverage in an auto policy is commonly characterized as:

- A. Fault-based liability coverage
- B. First-party medical expense coverage, subject to its terms
- C. Coverage only for pedestrians
- D. A substitute for workers compensation

27. Which statement is most accurate? An employers liability coverage part is most closely associated with:

- A. Product recall costs
- B. Employee dishonesty
- C. Certain employee injury claims outside workers compensation benefits
- D. Damage to the employer's own equipment

28. Choose the best answer: A policy exclusion is best described as:

- A. A provision identifying loss, property, or circumstances not covered
- B. A statement of the policy limit
- C. A premium receipt
- D. A claims payment

29. Which statement is most accurate? In an auto liability claim, bodily injury liability coverage is designed to pay damages for:

- A. Wear and tear to the insured auto
- B. The insured's collision damage
- C. Injury to others for which an insured is legally responsible
- D. Injury to the named insured regardless of fault

30. Choose the best answer: Which coverage most directly addresses a contractor's liability for completed work that later causes injury?

- A. Products-completed operations liability
- B. Garagekeepers
- C. Medical payments
- D. Inland marine transit

31. Which statement is most accurate? An insured submits an inventory after a fire. Its best purpose is to:

- A. Replace the declarations page
- B. Avoid the deductible
- C. Prove every item was purchased this year
- D. Identify damaged property and support the claimed value

32. Choose the best answer: A deductible generally serves to:

- A. Make the insured retain part of a covered loss
- B. Increase the limit automatically
- C. Expand exclusions
- D. Guarantee payment of every claim

33. Which statement is most accurate? Which claim fact most directly raises a potential “care, custody, or control” issue?

- A. A storm damages the insured's roof
- B. A driver hits a roadside sign
- C. An insured damages a customer's property while holding it for repair
- D. An insured's employee slips in a public hallway

34. Choose the best answer: A scheduled personal-property endorsement is especially useful when an insured wants:

- A. Broader or specifically listed coverage for a valuable item
- B. To remove all deductibles from every coverage
- C. To insure a commercial building
- D. To add workers compensation

35. Which statement is most accurate? A fidelity bond generally protects:

- A. A homeowner from flood
- B. A patient from medical expense
- C. An employer from dishonesty by bonded persons
- D. A driver from collision damage

36. Choose the best answer: Comprehensive (other-than-collision) coverage would most likely address damage caused by:

- A. The auto striking another vehicle
- B. The auto overturning
- C. Hail
- D. Gradual mechanical breakdown

37. Which statement is most accurate? A homeowner's personal liability coverage most directly protects against:

- A. Deterioration from normal wear
- B. Damage to the homeowner's own roof from hail
- C. Claims alleging bodily injury or property damage to others
- D. Theft of the homeowner's jewelry with no liability claim

38. Choose the best answer: A commercial auto liability policy most directly covers:

- A. Covered autos and insureds for covered legal liability
- B. All autos owned by any customer
- C. Property damage to the insured's building
- D. Workers compensation claims

39. Which statement is most accurate? On a homeowners policy, Coverage A generally refers to:

- A. Personal property
- B. Loss of use
- C. Dwelling
- D. Other structures

40. Choose the best answer: A homeowners policy combines:

- A. Property and personal liability coverages
- B. Only commercial liability coverages
- C. Only flood and earthquake coverages
- D. Health and disability coverages

41. Which statement is most accurate? A vacancy limitation is most relevant when:

- A. A liability claim is made
- B. Personal property is scheduled
- C. A building has been unoccupied beyond the policy's stated period
- D. A car is stored in a garage

42. Choose the best answer: Which is a common reason an adjuster reviews declarations?

- A. To identify named insured, policy period, limits, deductibles, and scheduled items
- B. To determine criminal guilt
- C. To calculate federal income tax
- D. To replace the appraisal process

43. Which statement is most accurate? When reviewing a commercial property claim, ordinance or law coverage may matter because:

- A. It covers ordinary depreciation
- B. It replaces flood insurance
- C. Building codes can increase repair/reconstruction costs after a covered loss
- D. It determines auto fault

44. Choose the best answer: A condominium unit-owner policy is designed in part to address:

- A. The unit owner's property interest and personal property
- B. Only a landlord's rental income
- C. Ocean cargo
- D. Workers compensation obligations

45. Which statement is most accurate? Garagekeepers coverage is most relevant to a business that:

- A. Owns no vehicles
- B. Provides health care
- C. Has customers' autos in its care, custody, or control
- D. Sells only office supplies

46. Choose the best answer: Ocean marine hull coverage relates most directly to:

- A. Physical loss or damage to a vessel
- B. Cargo owner's inland warehouse
- C. Auto liability
- D. Personal umbrella liability

47. Which statement is most accurate? A certificate of insurance generally:

- A. Replaces an endorsement
- B. Is a proof of loss
- C. Provides evidence of insurance but does not itself change policy terms
- D. Guarantees coverage beyond the policy

48. Choose the best answer: A claims-made liability policy is most sensitive to:

- A. When a claim is first made and reported, subject to its terms
- B. When the building was constructed
- C. When the deductible was paid
- D. The vehicle's odometer reading

49. Which statement is most accurate? Subrogation gives an insurer, after payment, the right to:

- A. Demand a criminal conviction
- B. Keep the insured's entire settlement regardless of policy
- C. Seek recovery from a responsible third party to the extent of payment
- D. Cancel any unrelated policy

50. Choose the best answer: The principle of indemnity seeks to:

- A. Restore the insured financially without creating a profit from loss
- B. Pay every claim at replacement cost
- C. Punish a negligent third party
- D. Guarantee future premiums

51. Which statement is most accurate? General average is a marine principle under which:

- A. Cargo is never insured
- B. A liability deductible is waived
- C. Parties sharing a voyage may share a voluntary sacrifice made for the common safety
- D. Only the vessel owner pays all losses

52. Choose the best answer: Under a typical personal umbrella policy, the umbrella is intended to:

- A. Provide excess liability protection above underlying limits
- B. Replace all property coverages
- C. Insure floods without limitation
- D. Eliminate the need for an auto policy

53. Which statement is most accurate? Workers compensation insurance generally provides benefits for:

- A. Loss of business income
- B. Flood damage to a warehouse
- C. Employee work-related injury or occupational disease
- D. Damage to a customer's auto

54. Choose the best answer: A commercial crime policy's employee theft coverage is most concerned with:

- A. Dishonest acts by employees causing covered loss of money, securities, or property
- B. Wear and tear to machinery
- C. Damage from windstorm
- D. Customer bankruptcy

55. Which statement is most accurate? A salvage value is relevant because:

- A. It determines liability negligence
- B. It guarantees replacement cost
- C. Recovered value can reduce the net amount of property loss
- D. It eliminates all deductibles

56. Choose the best answer: Inland marine insurance is most closely associated with:

- A. Movable property and specialized property exposures
- B. Only dwellings
- C. Only employee injury
- D. Life insurance

57. Which statement is most accurate? A limit of liability is:

- A. A mandatory repair estimate
- B. The replacement cost of land
- C. The maximum amount the insurer will pay for a covered loss, subject to policy terms
- D. The insured's annual income

58. Choose the best answer: Insurance is primarily a mechanism for:

- A. Transferring risk of fortuitous loss to an insurer for a premium
- B. Eliminating every possible loss
- C. Guaranteeing investment gains
- D. Creating speculative risk

59. Which statement is most accurate? Loss of use coverage can help pay:

- A. The cost of betterments to a rental unit
- B. Punitive damages
- C. Additional living expense after a covered loss makes the residence uninhabitable
- D. A deductible after any auto loss

60. Choose the best answer: An installation floater most commonly covers:

- A. Property during transit and installation until completion
- B. A completed building's liability exposure only
- C. Employee medical benefits
- D. Flood damage to a residence

Section II - Insurance Concepts (Questions 61-120)

61. Which statement is most accurate? A deductible is applied to:

- A. Only policy premium
- B. The insurer's expense reserve
- C. The covered loss according to policy terms
- D. Every noncovered loss

62. Choose the best answer: The principle of utmost good faith is especially relevant to:

- A. Truthful disclosure and fair dealing in insurance relationships
- B. Property depreciation only
- C. Auto repair methods only
- D. Federal income tax

63. Which statement is most accurate? An "open peril" property form generally covers:

- A. Only scheduled property
- B. Only third-party liability
- C. All direct physical loss unless excluded
- D. Only fire and lightning

64. Choose the best answer: A tort is:

- A. A civil wrong that may give rise to legal liability
- B. A type of property policy
- C. A premium discount
- D. An insurance license

65. Which statement is most accurate? An exclusion serves to:

- A. Set the policy period
- B. Create a deductible
- C. Remove specified exposures from coverage
- D. Increase the limit

66. Choose the best answer: A waiver is:

- A. Voluntary relinquishment of a known right
- B. A transfer of ownership
- C. A proof of loss
- D. A form of deductible

67. Which statement is most accurate? The purpose of a policy definition section is to:

- A. Replace all endorsements
- B. Settle claim disputes automatically
- C. Give special meanings to important terms used in the policy
- D. List only the premium

68. Choose the best answer: Loss settlement provisions explain:

- A. How the insurer will value and pay covered property losses
- B. How to set criminal penalties
- C. Who may become an adjuster
- D. How to renew a driver license

69. Which statement is most accurate? A material misrepresentation is one that:

- A. Appears only after payment
- B. Cannot affect a policy
- C. Could affect the insurer's underwriting or coverage decision
- D. Is merely a spelling error with no relevance

70. Choose the best answer: A moral hazard arises from:

- A. Dishonesty or character traits increasing loss likelihood
- B. A slippery floor
- C. A building's construction
- D. A policy limit

71. Which statement is most accurate? Contribution applies when:

- A. A claimant has no damages
- B. A deductible is waived
- C. More than one insurer covers the same loss and shares payment as applicable
- D. A policy is cancelled

72. Choose the best answer: A condition that increases the chance of loss is a:

- A. Hazard
- B. Peril
- C. Warranty
- D. Deductible

73. Which statement is most accurate? An occurrence policy is triggered primarily by:

- A. When the premium is renewed
- B. When the insured receives an estimate
- C. When bodily injury or property damage occurs during the policy period
- D. When a claim is first reported years later

74. Choose the best answer: The duty to mitigate after a property loss requires the insured to:

- A. Take reasonable steps to protect property from further damage
- B. Repair with the most expensive contractor
- C. Abandon property
- D. Avoid reporting the loss

75. Which statement is most accurate? Vicarious liability means:

- A. There is no negligence
- B. The insurer cannot investigate
- C. A party may be liable for another's acts because of a legal relationship
- D. The claimant must pay all costs

76. Choose the best answer: Res ipsa loquitur is a doctrine that may allow an inference of negligence when:

- A. The type of event ordinarily would not occur absent negligence and control is shown
- B. A policy has a deductible
- C. There is an appraisal clause
- D. The claimant has no damages

77. Which statement is most accurate? Fire is an example of a:

- A. Deductible
- B. Representation
- C. Peril
- D. Moral hazard

78. Choose the best answer: A binder normally provides:

- A. Temporary coverage until a policy is issued, rejected, or expires
- B. Permanent proof of loss
- C. Automatic renewal for life
- D. A surety guarantee

79. Which statement is most accurate? An endorsement that adds coverage is most likely called:

- A. A cancellation notice
- B. A proof of loss
- C. A coverage extension or additional coverage endorsement
- D. An exclusion

80. Choose the best answer: An assignment of a policy after loss may concern:

- A. Transfer of claim proceeds/rights subject to applicable law and policy
- B. Transfer of the insurer's license
- C. A mandatory appraisal result
- D. A deductible waiver

81. Which statement is most accurate? A loss payee is generally:

- A. A person who always owns the property
- B. An appraisal umpire
- C. A party named to receive payment for an insured property interest as policy terms provide
- D. The same as every claimant

82. Choose the best answer: Estoppel may prevent a party from:

- A. Asserting a right after another reasonably relied on that party's conduct
- B. Investigating a claim
- C. Paying a premium
- D. Using an endorsement

83. Which statement is most accurate? A proximate cause is the:

- A. Policy limit for a claim
- B. Insured's deductible
- C. Dominant cause that sets an unbroken chain of events in motion
- D. Last person to inspect a loss

84. Choose the best answer: A policy period identifies:

- A. The dates during which coverage may apply, subject to all policy terms
- B. The time an adjuster has to write an estimate
- C. The age of covered property
- D. The date a claimant must settle

85. Which statement is most accurate? A third-party claim involves:

- A. Policy renewal
- B. A premium refund only
- C. A claimant alleging the insured is legally liable
- D. The insured's own damaged property only

86. Choose the best answer: The “duty to cooperate” generally requires an insured to:

- A. Assist reasonably with investigation, settlement, and defense
- B. Admit liability immediately
- C. Give up all policy rights
- D. Avoid providing documents

87. Which statement is most accurate? Concealment occurs when an applicant:

- A. Files a proof of loss
- B. Requests appraisal
- C. Fails to disclose a material known fact
- D. Pays a premium late

88. Choose the best answer: A warranty is best described as:

- A. A statement or promise that must be strictly true or performed when made material by policy/law
- B. A claim check
- C. An appraisal decision
- D. A liability limit

89. Which statement is most accurate? A reservation of rights letter is used to:

- A. Guarantee coverage
- B. Replace a proof of loss
- C. Advise that an insurer is investigating/defending while preserving coverage defenses
- D. Deny every claim automatically

90. Choose the best answer: A premium is:

- A. The price paid for insurance coverage
- B. The maximum claim payment
- C. The insured's retained loss
- D. A type of exclusion

91. Which statement is most accurate? A liberalization clause generally extends:

- A. A larger deductible
- B. A claim reporting deadline
- C. Broader coverage adopted by the insurer without extra premium under stated terms
- D. A longer policy period automatically

92. Choose the best answer: Actual cash value is commonly calculated as:

- A. Replacement cost minus depreciation
- B. Replacement cost plus depreciation
- C. Market value of land only
- D. Policy limit minus premium

93. Which statement is most accurate? Negligence generally requires:

- A. A criminal conviction
- B. A signed proof of loss
- C. Duty, breach, causation, and damages
- D. Only a policy limit

94. Choose the best answer: A physical hazard is best illustrated by:

- A. Faulty wiring
- B. Intentional claim exaggeration
- C. A policy condition
- D. A premium finance agreement

95. Which statement is most accurate? A representation in an insurance application is generally:

- A. A court order
- B. A type of policy exclusion
- C. A statement believed true to the applicant's knowledge
- D. A guaranteed promise that can never be inaccurate

96. Choose the best answer: A contract of adhesion is one:

- A. Prepared by one party, with ambiguity generally construed against its drafter
- B. Negotiated equally word by word
- C. That has no consideration
- D. That cannot be enforced

97. Which statement is most accurate? A first-party claim is made by:

- A. An insurer seeking subrogation
- B. A regulator
- C. An insured seeking benefits under the insured's own policy
- D. A stranger with no relation to the loss

98. Choose the best answer: An insurer's right of subrogation most directly prevents:

- A. Double recovery by the insured for the same loss
- B. Any investigation of a claim
- C. Use of deductibles
- D. Property valuation

99. Which statement is most accurate? Which is an example of indirect loss?

- A. Water damage from firefighting
- B. Broken glass from the fire
- C. Lost business income after a covered fire
- D. Charred inventory from the fire

100. Choose the best answer: A liability policy's supplementary payments may include:

- A. Certain defense-related costs in addition to the liability limit, as stated
- B. Replacement of the insured's roof
- C. Business income loss
- D. Any criminal fine

101. Which statement is most accurate? An occurrence is best described as:

- A. A policy endorsement
- B. A court filing only
- C. An accident or continuous/repeated exposure to substantially the same harmful conditions, as defined by the policy
- D. A payment of premium

102. Choose the best answer: Insurable interest means the insured:

- A. Would suffer a financial loss if the property were damaged
- B. Must own an insurance company
- C. Has a driver license
- D. Can insure any stranger's property

103. Which statement is most accurate? A "named peril" policy covers:

- A. Only liability claims
- B. Only losses over the deductible
- C. Only causes of loss specifically listed
- D. Every loss except exclusions

104. Choose the best answer: A direct loss is:

- A. Damage caused immediately by a covered peril
- B. An indirect economic consequence
- C. A deductible amount
- D. A policy cancellation

105. Which statement is most accurate? A peril differs from a hazard because a peril:

- A. Is a policy condition
- B. Is a premium
- C. Is the cause of loss, while a hazard increases likelihood/severity
- D. Is always a person

106. Choose the best answer: The "other insurance" condition addresses:

- A. How coverage coordinates when other insurance may apply
- B. Whether a deductible applies
- C. Whether a peril is covered
- D. The policyholder's age

107. Which statement is most accurate? A liability limit of 100/300/50 is commonly read as:

- A. A \$300 deductible
- B. A \$50 premium
- C. \$100,000 BI per person, \$300,000 BI per accident, \$50,000 PD per accident
- D. \$100,000 PD per person only

108. Choose the best answer: A pure risk involves:

- A. The possibility of loss or no loss
- B. The possibility of gain only
- C. Certain profit
- D. A deliberate business investment

109. Which statement is most accurate? The declarations page usually includes:

- A. Only exclusions
- B. The adjuster's estimate
- C. Named insured, policy period, limits, and premium
- D. All judicial opinions

110. Choose the best answer: A condition in a policy is a:

- A. Requirement or duty that affects coverage
- B. Covered cause of loss
- C. Type of peril
- D. Policy limit

111. Which statement is most accurate? Cancellation differs from nonrenewal because cancellation:

- A. Is another name for appraisal
- B. Automatically pays a claim
- C. Ends a policy before its expiration date, subject to policy and legal notice rules
- D. Always occurs only at expiration

112. Choose the best answer: Insurance contracts are conditional because:

- A. Performance depends on policy conditions and a covered loss
- B. They never contain promises
- C. The premium is optional
- D. The insurer pays before a loss

113. Which statement is most accurate? An insurer's deductible recovery from a responsible party after paying a claim may be connected to:

- A. Concealment
- B. Binder
- C. Subrogation
- D. Coinsurance

114. Choose the best answer: The insuring agreement states:

- A. The insurer's basic promise of coverage
- B. The insured's tax liability
- C. The appraisal panel selection
- D. The salvage auction result

115. Which statement is most accurate? An insurance policy is aleatory because:

- A. It covers only certain losses
- B. It is always oral
- C. The values exchanged may be unequal depending on whether a loss occurs
- D. Both parties exchange exactly equal values

116. Choose the best answer: A speculative risk includes:

- A. The possibility of gain or loss
- B. Only accidental loss
- C. No uncertainty
- D. Only a legal liability claim

117. Which statement is most accurate? Depreciation reflects:

- A. An insured's negligence
- B. An additional coverage
- C. Decrease in value from age, wear, and obsolescence
- D. A policy deductible

118. Choose the best answer: A nonwaiver agreement generally is used to:

- A. Allow investigation without either party giving up rights
- B. Increase a policy limit
- C. Create a new policy
- D. Eliminate conditions

119. Which statement is most accurate? A coinsurance clause is intended to encourage:

- A. Elimination of appraisals
- B. Unlimited coverage
- C. Adequate insurance-to-value
- D. Underinsurance

120. Choose the best answer: Comparative negligence addresses:

- A. Allocation of fault among parties
- B. Replacement cost valuation
- C. Policy renewal
- D. Property scheduling

Section III - Texas Rules and Adjusting (Questions 121-150)

121. Which statement is most accurate? Texas Insurance Code provisions concerning adjusters prohibit conduct that includes:

- A. Taking photographs of damage with permission
- B. Paying a covered claim
- C. Acting fraudulently or dishonestly in connection with a license
- D. Reviewing a policy

122. Choose the best answer: The exclusive-remedy concept in workers compensation generally means:

- A. The workers compensation system may provide the employee's primary remedy against a subscribing employer for covered injuries
- B. Every injury is automatically denied
- C. The employer has no obligations
- D. Auto liability limits are eliminated

123. Which statement is most accurate? An employee injury that occurs in the course and scope of employment is most relevant to:

- A. Marine cargo coverage
- B. A homeowner's scheduled jewelry endorsement
- C. Workers compensation analysis
- D. Personal umbrella property coverage

124. Choose the best answer: In a workers compensation claim, an adjuster should focus first on:

- A. Whether the injury is work-related and what benefits/rules apply
- B. The employee's homeowners deductible
- C. The employer's ocean cargo policy
- D. The value of a surety bond

125. Which statement is most accurate? Texas workers compensation coverage is primarily concerned with:

- A. Homeowners theft
- B. Ocean cargo
- C. Benefits for covered work-related injuries and occupational diseases
- D. Auto physical damage

126. Choose the best answer: A designated-home-state adjuster is generally a person who:

- A. Uses a state as the licensing home state when the person's resident state does not license adjusters for the line
- B. Must be a Texas resident
- C. May never hold any other license
- D. Is exempt from all licensing requirements

127. Which statement is most accurate? Under the official Texas adjuster outline, the largest single broad category is:

- A. Bonds only
- B. Workers compensation only
- C. Insurance terms and related concepts
- D. Ocean marine only

128. Choose the best answer: A claim file should distinguish clearly between:

- A. Facts established, allegations, and conclusions
- B. The policy number and the date only
- C. Coverage and premium only
- D. The adjuster and the insurer only

129. Which statement is most accurate? The All Lines Adjuster exam's official published content outline contains:

- A. 100 scoreable questions
- B. 200 scoreable questions
- C. 150 scoreable questions
- D. 60 scoreable questions

130. Choose the best answer: If an adjuster has a conflict of interest, the sound professional response is to:

- A. Disclose/escalate the conflict and follow company/legal requirements
- B. Conceal it
- C. Use it to increase the settlement
- D. Ignore it because claimants have no rights

131. Which statement is most accurate? Under the official Texas adjuster outline, general property and casualty product knowledge is weighted at:

- A. 20%
- B. 60%
- C. 40%
- D. 10%

132. Choose the best answer: If policy language is ambiguous, an adjuster should:

- A. Escalate for appropriate interpretation and avoid inventing a restrictive meaning
- B. Assume the broadest denial
- C. Ignore the language
- D. Change the policy retroactively

133. Which statement is most accurate? TDI may examine licensees' records in order to:

- A. Replace a criminal investigation
- B. Determine personal credit scores without authority
- C. Assess compliance with insurance laws and rules
- D. Set the price of every repair

134. Choose the best answer: Texas regulates insurance adjuster licensing principally through:

- A. The Texas Department of Insurance and Texas Insurance Code
- B. The county tax assessor only
- C. A federal maritime agency only
- D. The Texas Secretary of State alone

135. Which statement is most accurate? Making a material misrepresentation to induce a claimant to accept a lesser settlement may be:

- A. A form of appraisal
- B. A replacement-cost calculation
- C. An unfair claim settlement practice
- D. A required negotiating practice

136. Choose the best answer: Under the official Texas adjuster outline, Texas statutes/rules pertinent to adjusting total:

- A. 20%
- B. 40%
- C. 60%
- D. 5%

137. Which statement is most accurate? The most reliable source for current exam topics is:

- A. A years-old unofficial answer key
- B. A generic out-of-state outline
- C. The current Pearson VUE Texas content outline and TDI licensing information
- D. Unverified social-media questions

138. Choose the best answer: An insurer or adjuster should not use a policy application to:

- A. Deny a claim without determining whether the information is material and legally relevant
- B. Verify underwriting information
- C. Compare representations with known facts
- D. Investigate a potential material misrepresentation

139. Which statement is most accurate? A Texas adjuster should avoid:

- A. Requesting relevant documentation
- B. Inspecting claimed damage
- C. Misrepresenting policy provisions or pertinent facts
- D. Explaining the claims process

140. Choose the best answer: When a claimant reports a loss, a prompt acknowledgment and responsive communication helps meet:

- A. Fair claims-handling expectations
- B. The policy's coinsurance requirement
- C. A marine general average rule
- D. A surety's indemnity agreement

141. Which statement is most accurate? A license may be subject to discipline when a licensee:

- A. Documents a claim
- B. Uses an approved form
- C. Violates applicable insurance laws or orders
- D. Reviews coverage carefully

142. Choose the best answer: An unfair discrimination concern arises when similarly situated claimants are:

- A. Treated differently without a lawful, relevant basis
- B. Treated consistently under policy terms
- C. Asked for reasonable documentation
- D. Given a written coverage explanation

143. Which statement is most accurate? A claimant's disagreement with the amount of loss should prompt the adjuster to:

- A. Ignore the claimant
- B. Change the deductible
- C. Review documentation, estimate rationale, and applicable appraisal/dispute provisions
- D. Automatically deny the claim

144. Choose the best answer: An adjuster's file documentation should be:

- A. Accurate, timely, and sufficient to show the basis for material actions
- B. Limited to verbal recollection
- C. Changed after the fact without explanation
- D. Used to hide unfavorable facts

145. Which statement is most accurate? An adjuster who communicates with a claimant should:

- A. Withhold all claim information
- B. Demand a release before inspection
- C. Use clear, accurate statements consistent with the policy and known facts
- D. Promise coverage without review

146. Choose the best answer: A licensee facing a regulatory action is generally entitled to:

- A. Notice and an opportunity for a hearing as provided by law
- B. No information about alleged violations
- C. Automatic license renewal
- D. A jury trial in every administrative matter

147. Which statement is most accurate? An adjuster's authority is best described as:

- A. Authority to give legal advice on any issue
- B. Authority to change a court judgment
- C. Limited by the insurer's assignment, policy terms, and applicable law
- D. Unlimited authority to rewrite a policy

148. Choose the best answer: Which is the most appropriate adjuster action when coverage is unclear?

- A. Investigate the facts and compare them with the policy before making a coverage decision
- B. Assume coverage because a loss occurred
- C. Deny immediately without explanation
- D. Tell the insured to repair everything at any price

149. Which statement is most accurate? An adjuster should handle a claim by first:

- A. Telling a claimant to obtain legal counsel
- B. Using a standard estimate without inspecting damage
- C. Identifying the policy, coverage period, facts, and applicable provisions
- D. Promising payment before reviewing coverage

150. Choose the best answer: The Commissioner of Insurance has authority to:

- A. Administer and enforce Texas insurance laws within statutory authority
- B. Settle every private claim personally
- C. Serve as a claimant's attorney
- D. Issue building permits

Answer Key and Explanations

Use this section after you have completed the practice set. Explanations state the tested principle; actual policy forms, endorsements, and current Texas law control.

1. **C** - Prompt notice and reasonable protection of property help satisfy post-loss duties.
2. **A** - A BOP packages common commercial property and liability needs for eligible businesses.
3. **C** - Coverage B covers defined personal and advertising injuries.
4. **A** - Coverage A is the core BI/PD liability grant.
5. **C** - It is designed for property entrusted to the insured as bailee.
6. **B** - ACV ordinarily reflects depreciation; replacement cost addresses repair/replacement cost subject to policy terms.
7. **C** - The tenant normally does not own the building but needs contents and liability protection.
8. **B** - It is a formal claim statement supporting the amount and circumstances of loss.
9. **C** - It pays qualifying extra costs incurred to avoid/minimize suspension of operations.
10. **A** - The principal promises performance to the obligee, backed by the surety.
11. **C** - Flood is generally excluded from homeowners insurance and may require NFIP/private flood coverage.
12. **A** - The fire damage is immediate physical damage; loss of income is consequential.
13. **D** - Appraisal generally decides value/amount, not coverage or legal liability.
14. **A** - The principal is the contractor/obligor promising performance.
15. **C** - A detached structure is generally considered an other structure.
16. **A** - A binder provides temporary coverage on specified terms.
17. **C** - It supports income loss caused by necessary suspension of operations after covered direct physical loss.
18. **A** - It protects against covered legal liability for another person's property damage.
19. **C** - The form can cover several categories of covered property.
20. **A** - Collision includes upset/overturn of the covered auto, subject to policy terms.
21. **C** - Endorsements add, delete, or change policy provisions.
22. **A** - It may respond when the at-fault motorist lacks adequate liability insurance.
23. **C** - Dwelling forms can fit rental, seasonal, or otherwise ineligible residences.
24. **A** - Cargo coverage protects goods in transit, subject to policy terms.
25. **C** - Mortgagee clauses protect a lender's property interest subject to wording.
26. **B** - It commonly pays covered medical expenses without requiring proof the insured was at fault.
27. **C** - It can respond to covered employee injury liabilities not addressed by workers compensation law.
28. **A** - Exclusions narrow or remove coverage otherwise suggested by an insuring agreement.
29. **C** - Liability coverage responds to covered legal responsibility for injury to others.
30. **A** - Completed operations exposure arises after work is finished.
31. **D** - Inventories document the property, quantity, and claimed value.
32. **A** - It is the portion of loss borne by the insured, subject to policy wording.
33. **C** - The property is in the insured's possession/control, a common liability policy issue.

- 34. **A** - Scheduling can identify high-value property and tailor coverage/limits.
- 35. **C** - Fidelity bonds protect the obligee/employer from dishonest acts.
- 36. **C** - Hail is a classic other-than-collision peril; breakdown is commonly excluded.
- 37. **C** - Personal liability responds to covered third-party injury/property damage claims.
- 38. **A** - Coverage depends on covered-auto symbols, insured status, and applicable terms.
- 39. **C** - Coverage A typically insures the residence dwelling.
- 40. **A** - Homeowners forms commonly package dwelling/personal property protection with liability coverage.
- 41. **C** - Vacancy provisions can reduce or suspend certain property coverage after a stated period.
- 42. **A** - Declarations supply key policy-specific facts.
- 43. **C** - Code-related increased costs may require specific coverage.
- 44. **A** - Unit-owner coverage coordinates with the association master policy and unit owner's interests.
- 45. **C** - It addresses loss to customers' autos in the garage operation's custody.
- 46. **A** - Hull insurance addresses the vessel itself.
- 47. **C** - Certificates evidence coverage; the policy controls.
- 48. **A** - Claims-made forms focus on the claim/reporting trigger and retroactive date.
- 49. **C** - It permits pursuit of the responsible party and helps avoid double recovery.
- 50. **A** - Indemnity aims to put the insured near the pre-loss financial position.
- 51. **C** - A common maritime loss/sacrifice may be shared proportionately.
- 52. **A** - Umbrellas provide additional liability limits, subject to retained-limit and underlying-policy rules.
- 53. **C** - It is designed for covered employee job-related injuries/disease.
- 54. **A** - Employee theft is a crime coverage exposure.
- 55. **C** - The residual value of damaged property may affect loss settlement.
- 56. **A** - It commonly covers transportation and specialized movable property exposures.
- 57. **C** - Limits cap insurer payment under the applicable coverage.
- 58. **A** - Insurance transfers eligible risk; it does not prevent every loss.
- 59. **C** - It may cover additional living expense and/or fair rental value, subject to the form.
- 60. **A** - It follows covered installation property during the installation process.
- 61. **C** - It is the retained portion of a covered loss.
- 62. **A** - Insurance relies heavily on honesty and material disclosure.
- 63. **C** - Open peril is broad but still subject to exclusions and conditions.
- 64. **A** - Torts are civil wrongs, often based on negligence or intentional conduct.
- 65. **C** - It carves out losses or circumstances from the coverage grant.
- 66. **A** - Waiver is intentional abandonment of a known right.
- 67. **C** - Definitions shape the scope of coverage and must be read with the entire policy.
- 68. **A** - They guide the valuation/payment basis.
- 69. **C** - Materiality concerns effect on the insurer's decision.

- 70. **A** - Moral hazards are behavioral/character-related.
- 71. **C** - It allocates a common loss among insurers with overlapping coverage.
- 72. **A** - A hazard increases frequency/severity potential; a peril is the cause of loss.
- 73. **C** - Occurrence forms focus on when the injury/damage occurred.
- 74. **A** - Mitigation is reasonable loss prevention, not a demand for permanent repair.
- 75. **C** - Employers can be liable for employees acting within scope of employment.
- 76. **A** - The occurrence itself and control may permit an inference.
- 77. **C** - A peril is a cause of loss.
- 78. **A** - It is provisional insurance evidence.
- 79. **C** - Endorsements may broaden or narrow coverage.
- 80. **A** - Post-loss assignment rules differ from assignment of the policy before loss.
- 81. **C** - Loss payee status recognizes a qualifying property interest and is governed by the endorsement.
- 82. **A** - Estoppel addresses unfair inconsistency after reliance.
- 83. **C** - It is the legal cause producing the loss in a natural, continuous sequence.
- 84. **A** - The policy period is a core declaration item that defines the applicable coverage interval.
- 85. **C** - Third-party liability claims are asserted against the insured.
- 86. **A** - Cooperation supports investigation and defense under the policy.
- 87. **C** - Concealment is withholding material information.
- 88. **A** - Warranties are treated as promises/conditions, depending on applicable law and policy.
- 89. **C** - It preserves the insurer's position while the facts/coverage are evaluated.
- 90. **A** - The premium is the consideration paid for the insurer's promise.
- 91. **C** - It can extend improved coverage to existing policyholders as stated.
- 92. **A** - A common approach is replacement cost less depreciation, subject to policy/law.
- 93. **C** - These are the common elements of negligence.
- 94. **A** - Faulty wiring is a physical condition increasing loss probability.
- 95. **C** - Representations are statements made to induce insurance, distinguished from warranties.
- 96. **A** - Insurance policies are generally adhesion contracts.
- 97. **C** - First-party coverage protects the insured's own interests.
- 98. **A** - Subrogation helps prevent the insured from collecting twice.
- 99. **C** - Income loss is a consequential loss stemming from the direct damage.
- 100. **A** - They commonly cover defense-related items under specified terms.
- 101. **C** - Liability policies define occurrence to identify the event that may trigger coverage.
- 102. **A** - The insured must have a lawful financial stake in the property/life at the relevant time.
- 103. **C** - Coverage triggers only for named causes of loss.
- 104. **A** - Direct loss is the immediate damage caused by the peril.
- 105. **C** - The distinction is core terminology.

- 106. **A** - It helps determine primary/excess/contribution arrangements.
- 107. **C** - Split limits distinguish per-person BI, per-accident BI, and PD.
- 108. **A** - Pure risk has loss/no-loss outcomes and is generally insurable.
- 109. **C** - It summarizes key individualized policy facts.
- 110. **A** - Conditions set obligations and procedures.
- 111. **C** - Cancellation terminates coverage during the term; nonrenewal concerns continuation after expiration.
- 112. **A** - Coverage requires fulfillment of stated conditions.
- 113. **C** - Subrogation recovery may include the insurer's and insured's interests depending on law/policy.
- 114. **A** - It is the principal coverage grant.
- 115. **C** - A small premium may lead to a much larger payment, or no payment.
- 116. **A** - Speculative risk carries potential gain as well as loss.
- 117. **C** - It reduces value based on use, age, condition, or obsolescence.
- 118. **A** - It protects rights while a claim is being investigated.
- 119. **C** - Coinsurance can reduce payment when required insurance values are not maintained.
- 120. **A** - It reduces/allocates damages based on parties' respective fault.
- 121. **C** - Fraudulent or dishonest conduct can be grounds for discipline.
- 122. **A** - Exclusive remedy is a central feature, subject to statutory exceptions and facts.
- 123. **C** - Course and scope is a central workers compensation concept.
- 124. **A** - Compensability and applicable benefits are threshold claim issues.
- 125. **C** - Workers compensation addresses covered work-related injury/disease benefits.
- 126. **A** - The DHS pathway addresses eligible nonresident applicants whose resident state does not license adjusters.
- 127. **C** - Insurance terms and related concepts is weighted 40%.
- 128. **A** - Separating verified facts from allegations supports accurate, fair claim decisions.
- 129. **C** - Pearson VUE's Texas outline states 150 scoreable questions for All Lines Adjuster.
- 130. **A** - Conflicts can impair impartial claim handling and should be appropriately addressed.
- 131. **C** - The official rule allocates 40% to product knowledge.
- 132. **A** - Ambiguity requires careful, authorized interpretation; it should not be used unfairly.
- 133. **C** - Examination authority supports regulatory oversight and compliance.
- 134. **A** - TDI administers insurance regulation and licensing under Texas law.
- 135. **C** - Misrepresenting material facts/provisions to influence settlement is prohibited.
- 136. **A** - Licensing, marketing, duties, and workers compensation total 20%.
- 137. **C** - Pearson VUE and TDI publish current exam/licensing information.
- 138. **A** - Claim decisions require materiality, policy, and law analysis; application data is not an automatic denial tool.
- 139. **C** - Misrepresentation is prohibited conduct and inconsistent with fair claim handling.
- 140. **A** - Timely communication is a core fair-claims practice.
- 141. **C** - Violations can lead to sanctions under TDI authority.

- 142. A** - Unfair discrimination is prohibited; like risks/claimants should be handled consistently absent a lawful basis.
- 143. C** - The adjuster should investigate and use policy dispute procedures where applicable.
- 144. A** - Clear documentation supports fair, defensible claim handling.
- 145. C** - Accuracy and clear communication are essential to fair claims practice.
- 146. A** - Administrative due process commonly includes notice and hearing procedures.
- 147. C** - Adjusters act within delegated authority and legal/policy limits.
- 148. A** - Coverage decisions require policy analysis and factual investigation.
- 149. C** - A sound adjustment starts with policy verification and fact development.
- 150. A** - The Commissioner oversees TDI's statutory regulatory functions.