

Texas Insurance Limited Lines Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. How long must agents retain proof of Continuing Education hours?**
 - A. 2 years**
 - B. 4 years**
 - C. 6 years**
 - D. 10 years**

- 2. What is the type of liability where an individual is responsible for risks associated with inherently dangerous activities?**
 - A. General Liability**
 - B. Vicarious Liability**
 - C. Absolute Liability**
 - D. Negligence Liability**

- 3. Who has strict limitations on the type of business they can conduct?**
 - A. Individuals with a full license**
 - B. Persons with a temporary license**
 - C. Agents with a regular license**
 - D. Brokers**

- 4. What is a broker's primary role in the insurance industry?**
 - A. To represent only one insurance company**
 - B. To provide financial advice on investments**
 - C. To find the best insurance policies for clients from various insurers**
 - D. To process claims on behalf of clients**

- 5. What defines a limited lines insurance agent in Texas?**
 - A. An agent with full authority to sell all types of insurance**
 - B. An agent licensed to sell specific types of insurance under limited authority**
 - C. An agent only allowed to manage claims for insurers**
 - D. An insurance broker operating without a license**

- 6. How long does the Texas Department of Insurance allow for a company to acknowledge communication regarding a claim?**
- A. 30 days**
 - B. 20 days**
 - C. 15 days**
 - D. 10 days**
- 7. Which term describes a temporary insurance contract that can be verbal or written?**
- A. Endorsement**
 - B. Exclusion**
 - C. Binder**
 - D. Policy**
- 8. What must the commissioner provide before taking action against an agent?**
- A. A written statement to the agent**
 - B. A notice of intent**
 - C. A warning letter**
 - D. A formal report**
- 9. Define 'co-insurance' in insurance policies.**
- A. A provision where the insured pays a fixed amount per claim**
 - B. A provision that requires the insured to pay a specified percentage of a claim after the deductible is met**
 - C. A feature that provides coverage for all damages**
 - D. A type of health insurance plan**
- 10. Which act mandates accurate reporting of a consumer's credit history by insurance companies?**
- A. Fair Credit Reporting Act**
 - B. Truth in Lending Act**
 - C. Consumer Credit Protection Act**
 - D. Insurance Information Act**

Answers

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1. B
2. C
3. B
4. C
5. B
6. C
7. C
8. A
9. B
10. A

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Explanations

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1. How long must agents retain proof of Continuing Education hours?

- A. 2 years
- B. 4 years**
- C. 6 years
- D. 10 years

Agents are required to retain proof of Continuing Education (CE) hours for a period of four years. This retention requirement is important for regulatory compliance, as it ensures that agents can demonstrate their completion of necessary educational requirements should they be audited or need to verify their credentials. Keeping records for this duration allows agents to maintain their licenses, as they must consistently meet their CE obligations to stay informed about changes in laws, regulations, and best practices in the insurance industry. A four-year retention period aligns with the typical review cycles of many state licensing boards, enabling them to efficiently assess an agent's ongoing education status.

2. What is the type of liability where an individual is responsible for risks associated with inherently dangerous activities?

- A. General Liability
- B. Vicarious Liability
- C. Absolute Liability**
- D. Negligence Liability

Absolute liability refers to a legal doctrine that holds a party responsible for their actions or the outcomes of those actions, regardless of fault or negligence. In the context of inherently dangerous activities, such as using explosives or keeping wild animals, individuals or companies engaging in these activities are held absolutely liable for any harm that results. This type of liability does not require the harmed party to demonstrate that the responsible party was negligent; it is sufficient to show that the activity caused the injury. This principle exists to encourage safety in activities that pose a significant risk of harm to others. By enforcing absolute liability, the law aims to ensure that those who undertake dangerous activities take appropriate precautions to minimize risks to the public, as they cannot escape responsibility simply based on a lack of intent to cause harm or negligence. Other types of liability, like general liability or negligence liability, would require proof of some level of fault or negligence to establish responsibility. Vicarious liability involves holding one party responsible for the actions of another, typically in employer-employee relationships, but does not pertain to the inherent dangers of the activities themselves. Thus, absolute liability is specifically designed to address the unique risks posed by dangerous activities, making it the correct answer in this case.

3. Who has strict limitations on the type of business they can conduct?

- A. Individuals with a full license**
- B. Persons with a temporary license**
- C. Agents with a regular license**
- D. Brokers**

Individuals with a temporary license are indeed subject to strict limitations on the type of business they can conduct. A temporary license is generally issued to allow a person to operate in the insurance industry while they complete the necessary requirements to obtain a full license. Because of this provisional status, their activities are usually restricted to specific areas, and they may not be allowed to conduct certain types of complicated transactions or work independently without the oversight of a fully licensed agent. In contrast, individuals with a full license, agents with a regular license, and brokers have typically met all the necessary qualifications and training required to operate more freely within the industry. They can engage in a broader scope of activities, including managing more complex insurance matters and representing clients with greater autonomy. This distinction highlights the temporary license's limitations, ensuring that those still in the process of completing their qualifications operate under more controlled circumstances.

4. What is a broker's primary role in the insurance industry?

- A. To represent only one insurance company**
- B. To provide financial advice on investments**
- C. To find the best insurance policies for clients from various insurers**
- D. To process claims on behalf of clients**

A broker's primary role in the insurance industry is to find the best insurance policies for clients from various insurers. This means that brokers work independently of any single insurance company, which allows them to offer a wider range of products from multiple providers. By comparing the coverage, costs, and terms of different policies, brokers help clients make informed decisions that best suit their individual needs and circumstances. This independent representation is key to their role, as it provides consumers with the opportunity to choose from a variety of options rather than being limited to the offerings of a single insurer. Brokers also build relationships with clients to understand their unique situations better, allowing them to recommend policies that adequately cover their risks while also being cost-effective. This comprehensive approach distinguishes brokers from other roles in the insurance industry, ensuring that their clients receive tailored advice aimed at fulfilling their specific insurance requirements.

- 5. What defines a limited lines insurance agent in Texas?**
- A. An agent with full authority to sell all types of insurance**
 - B. An agent licensed to sell specific types of insurance under limited authority**
 - C. An agent only allowed to manage claims for insurers**
 - D. An insurance broker operating without a license**

A limited lines insurance agent in Texas is specifically defined as an agent who is licensed to sell specific types of insurance under limited authority. This means that their license permits them to sell only certain products, unlike a general insurance agent who can represent a broader range of insurance types. Limited lines agents often specialize in particular products, such as a specific type of insurance coverage, aiding consumers in those specific areas. The focus on limited authority reflects the regulatory framework that aims to ensure that agents have expertise and qualifications in the insurance types they sell, which protects consumers and maintains industry standards. This specialization is essential in various limited lines, such as health, travel, or specific types of property insurance. Thus, the idea is to streamline the selling process and ensure that agents provide informed guidance within their area of specialization.

- 6. How long does the Texas Department of Insurance allow for a company to acknowledge communication regarding a claim?**
- A. 30 days**
 - B. 20 days**
 - C. 15 days**
 - D. 10 days**

In Texas, the law requires insurance companies to acknowledge communication regarding a claim within a specific timeframe to ensure timely responses and maintain customer trust. The correct timeframe for acknowledgment of communication regarding a claim is 15 days. This policy is designed to ensure that insurers respond to claimants promptly, allowing for a smooth claims process and minimizing any unnecessary delays. Acknowledgment within this period helps to keep claimants informed and engaged, providing them reassurance that their claim is being handled appropriately. The other timeframes offered do not align with the requirements set forth by the Texas Department of Insurance, which emphasizes the importance of communication in the claims process.

7. Which term describes a temporary insurance contract that can be verbal or written?

- A. Endorsement**
- B. Exclusion**
- C. Binder**
- D. Policy**

A binder refers to a temporary insurance contract that provides interim coverage until a formal policy is issued. It can be established either verbally or in writing, and it serves as a placeholder for coverage while the details of the policy are being finalized. Since a binder is intended to provide immediate protection, it is particularly useful in scenarios where prompt insurance coverage is required before the full policy can be executed. Endorsements are modifications or additions to an existing insurance policy, rather than standalone contracts. Exclusions are specific provisions within an insurance contract that detail what is not covered by the policy. A policy, on the other hand, is the final contract that outlines the terms and conditions of the coverage being provided. Thus, the definition of a binder as a temporary insurance solution that can be communicated in various forms makes it the correct choice for this question.

8. What must the commissioner provide before taking action against an agent?

- A. A written statement to the agent**
- B. A notice of intent**
- C. A warning letter**
- D. A formal report**

The correct response highlights the requirement for the commissioner to provide a written statement to the agent before taking any action. This written statement is an essential procedural safeguard that ensures agents are informed of the basis for any potential disciplinary action. It serves as a formal communication of the issues at hand and allows the agent an opportunity to understand their situation, respond appropriately, and prepare for any forthcoming actions. This requirement emphasizes transparency and fairness in regulatory practices, ensuring that agents are not caught off guard by decisions that could significantly affect their professional standing and operations. By receiving this written statement, agents can engage with the regulatory process in a meaningful way, potentially rectifying concerns or contesting actions taken against them. Other options, while they may seem relevant in various contexts, do not meet the standardized procedural requirements mandated for the commissioner to act against an agent. The written statement is a key component of due process within the regulatory framework, ensuring agents have a clear understanding of the issues before any actions are implemented.

9. Define 'co-insurance' in insurance policies.

- A. A provision where the insured pays a fixed amount per claim**
- B. A provision that requires the insured to pay a specified percentage of a claim after the deductible is met**
- C. A feature that provides coverage for all damages**
- D. A type of health insurance plan**

Co-insurance is a provision found in insurance policies that requires the insured to pay a specified percentage of a claim after the deductible has been met. This means that once the insured has paid the initial out-of-pocket amount (the deductible), they share in the remaining costs of a covered loss or expense. For example, if a policy includes an 80/20 co-insurance arrangement, the insurer will pay 80% of the covered claim, while the insured is responsible for the remaining 20%. This arrangement helps mitigate risks for the insurance company and encourages policyholders to be more conscious about the costs of their claims, as they will have some financial stake in the outcome. It also allows for a more equitable distribution of costs between the insurer and the insured, promoting shared responsibility in managing expenses after a loss occurs.

10. Which act mandates accurate reporting of a consumer's credit history by insurance companies?

- A. Fair Credit Reporting Act**
- B. Truth in Lending Act**
- C. Consumer Credit Protection Act**
- D. Insurance Information Act**

The Fair Credit Reporting Act is the legislation that mandates accurate reporting of a consumer's credit history by insurance companies. This act was designed to promote the accuracy and integrity of information in the files of consumer reporting agencies. It specifically outlines the obligations of credit reporting agencies, as well as the responsibilities of entities that use consumer reports, including insurance companies. By requiring accurate reporting, the Fair Credit Reporting Act ensures that consumers are evaluated fairly based on their credit history, which can influence various financial decisions, including the terms and rates offered for insurance coverage. This protection empowers consumers by giving them the right to know what information is being reported about them and the ability to dispute any inaccuracies. Other laws, such as the Truth in Lending Act and the Consumer Credit Protection Act, address different aspects of credit and lending but do not specifically focus on the accurate reporting of credit history by insurance companies. The Insurance Information Act, while related to the insurance industry, does not primarily address the accuracy of consumer credit reporting. Thus, the Fair Credit Reporting Act is the correct choice as it directly relates to the accurate reporting obligations impacting consumers in the insurance context.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://txinsurancelimlines.examzify.com>

We wish you the very best on your exam journey. You've got this!

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