

Texas Insurance Limited Lines Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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Table of Contents

Copyright 1

Table of Contents 2

Introduction 3

How to Use This Guide 4

Questions 5

Answers 8

Explanations 10

Next Steps 16

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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. What does an agent's fiduciary duty entail?**
 - A. Managing their own interests effectively**
 - B. Acting in the best interest of the client**
 - C. Offering the lowest premiums available**
 - D. Creating policies without client input**

- 2. What does 'continuity of coverage' imply in the context of insurance?**
 - A. Customers must renew their policies annually**
 - B. The principle that coverage under a new policy should be similar to a previous policy**
 - C. Insurance companies can terminate policies at any time**
 - D. That policies can be adjusted at the insurance company's discretion**

- 3. What does it typically indicate if a property is classified as salvage?**
 - A. The property has undergone extensive repairs**
 - B. The property cannot feasibly be repaired**
 - C. The property will retain its full market value**
 - D. The property has been successfully sold**

- 4. What is the minimum age requirement to act as a licensed insurance agent?**
 - A. 15 years**
 - B. 18 years**
 - C. 21 years**
 - D. 25 years**

- 5. Which term describes a temporary insurance contract that can be verbal or written?**
 - A. Endorsement**
 - B. Exclusion**
 - C. Binder**
 - D. Policy**

- 6. What basic information is required in an insurance contract?**
- A. Only the insurer's information**
 - B. Policyholder's personal preferences**
 - C. Offer, acceptance, and legal purpose**
 - D. Claims history and risk evaluation**
- 7. Who is not required to obtain an insurance license?**
- A. Insurance Agents**
 - B. Insured who refers to company**
 - C. Insurance Brokers**
 - D. Claims Adjusters**
- 8. What is one duty of a managing general agent (MGA)?**
- A. Manage personal finances of agents**
 - B. Supervise local agency and field operations**
 - C. Handle all client consultations**
 - D. Approve premium rates for insurance products**
- 9. What requirement must a corporate general lines agency fulfill regarding claims?**
- A. Pay no more than \$10,000 for any claims made**
 - B. Be able to pay up to \$25,000 for claims**
 - C. Provide unlimited liability insurance coverage**
 - D. Have a minimum investment of \$50,000**
- 10. What is one of the requirements for insurers when conducting investigations of claims?**
- A. They can refuse to pay claims without any investigation**
 - B. They must conduct a reasonable investigation**
 - C. They can settle claims based solely on client statements**
 - D. They must wait for 30 days before responding to claims**

Answers

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

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Explanations

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1. What does an agent's fiduciary duty entail?

- A. Managing their own interests effectively
- B. Acting in the best interest of the client**
- C. Offering the lowest premiums available
- D. Creating policies without client input

An agent's fiduciary duty involves a commitment to act in the best interests of their clients, which is essential in the insurance industry. This relationship is built on trust and requires the agent to prioritize the client's needs and welfare above their own. This includes providing unbiased advice, acting with integrity, and ensuring that clients are well-informed about their options to make educated decisions about their insurance coverage. By fulfilling this duty, the agent maintains the ethical standards expected in the profession and supports the overall welfare of their clients. In contrast, managing one's own interests, while important in any business, would conflict with the obligations of a fiduciary duty, as it would not serve the client's best interests. Offering the lowest premiums available may not necessarily align with the best coverage or value for the client, which is a critical consideration beyond just cost. Lastly, creating policies without client input undermines the collaborative nature of the agent-client relationship and may lead to coverage that does not meet the client's needs or preferences.

2. What does 'continuity of coverage' imply in the context of insurance?

- A. Customers must renew their policies annually
- B. The principle that coverage under a new policy should be similar to a previous policy**
- C. Insurance companies can terminate policies at any time
- D. That policies can be adjusted at the insurance company's discretion

The concept of 'continuity of coverage' in the context of insurance refers to the principle that when a policyholder transitions from one insurance policy to another, the coverage provided by the new policy should be similar to that of the previous policy. This ensures that policyholders maintain consistent protection for the risks they are covered against, without experiencing gaps in coverage that could leave them vulnerable during the transition. For example, if an individual has a homeowners policy that covers certain liabilities and then shifts to a different provider, it's essential that the new policy either matches or closely resembles the coverage limits, exclusions, and conditions of the prior policy. This principle is fundamental in ensuring that consumers do not lose protection during changes in their insurance arrangements and promotes consumer confidence in switching insurers. The other options focus on elements that do not capture this essence of continuity. Annual renewal does not inherently ensure ongoing protection if coverage varies significantly between policy years. The notion that companies can terminate policies or adjust them at their discretion also does not align with the concept of continuous coverage, which emphasizes maintaining consistent coverage rather than subjecting the policyholder to the volatility of policy terms.

3. What does it typically indicate if a property is classified as salvage?

- A. The property has undergone extensive repairs**
- B. The property cannot feasibly be repaired**
- C. The property will retain its full market value**
- D. The property has been successfully sold**

Classifying property as salvage typically indicates that the property cannot feasibly be repaired. When an item or structure is labeled as salvage, it suggests that the damage sustained is so extensive that the cost and effort required to repair it would significantly outweigh its value if fully restored. This status often arises in the context of insurance claims, where insurers assess the condition of damaged property and determine whether it is economically viable to repair it. Such a classification usually leads to the property being sold for parts or scrap rather than being restored, emphasizing its diminished value and the impracticality of restoration.

4. What is the minimum age requirement to act as a licensed insurance agent?

- A. 15 years**
- B. 18 years**
- C. 21 years**
- D. 25 years**

The minimum age requirement to act as a licensed insurance agent is 18 years. This age threshold is established to ensure that individuals entering the profession possess a certain level of maturity and capacity to understand the responsibilities and ethical obligations that come with being an insurance agent. It allows aspiring agents to have completed their secondary education and have enough life experience to navigate the complexities of insurance products and consumer interactions effectively. Being at least 18 also aligns with other legal standards in many states relating to contract laws and the ability to enter into binding agreements, which is fundamental for the practice of selling insurance. Ensuring agents are adequately prepared and responsible enough to handle such duties supports the integrity and professionalism of the insurance industry.

5. 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.

6. What basic information is required in an insurance contract?

- A. Only the insurer's information**
- B. Policyholder's personal preferences**
- C. Offer, acceptance, and legal purpose**
- D. Claims history and risk evaluation**

The requirement of offer, acceptance, and legal purpose in an insurance contract is fundamental to the establishment of a binding agreement between the insurer and the insured. An offer is made by the insurer in the form of a policy proposal, detailing coverage terms and conditions. The acceptance comes when the policyholder agrees to these terms, typically by signing the contract or paying the premium. This mutual agreement ensures that both parties understand and agree to the obligations involved. Furthermore, for an insurance contract to be valid, it must have a legal purpose. This means that the agreement cannot involve activities that are against the law or public policy. For instance, an insurance policy that covers illegal activities would not be enforceable. Overall, these components—offer, acceptance, and legal purpose—form the essential building blocks of a legally binding contract that protects both the insurer's and the policyholder's rights and responsibilities.

7. Who is not required to obtain an insurance license?

- A. Insurance Agents
- B. Insured who refers to company**
- C. Insurance Brokers
- D. Claims Adjusters

The individual mentioned in the correct answer, who is not required to obtain an insurance license, is someone who refers a potential insured to an insurance company without engaging in activities that would require licensing. This could include making casual recommendations or referrals without payment for that referral. In general, the regulations surrounding insurance licensing are designed to ensure that those who are actively selling or providing insurance services to consumers are trained and knowledgeable about the products they offer. This includes agents, brokers, and claims adjusters, all of whom are required to be licensed to legally practice in their respective roles. Insurance agents and brokers typically represent the insurers or the insured in negotiating and selling insurance policies, which requires comprehensive knowledge about the insurance laws and products. Claims adjusters also need a license to evaluate claims, as they assess losses and make decisions about payouts based on the policy terms. Thus, individuals who merely refer others to an insurance company without any additional involvement in the transaction do not fall under the same regulatory requirements as those actively participating in insurance transactions.

8. What is one duty of a managing general agent (MGA)?

- A. Manage personal finances of agents
- B. Supervise local agency and field operations**
- C. Handle all client consultations
- D. Approve premium rates for insurance products

A managing general agent (MGA) plays a vital role within the insurance distribution system, primarily overseeing local agency and field operations. This includes responsibilities such as recruiting and training agents, managing their performance, and ensuring compliance with insurance regulations. By effectively supervising these operations, an MGA can streamline processes, enhance sales performance, and improve overall agency effectiveness. The other choices involve tasks that are not typically part of the MGA's role. Managing personal finances of agents is generally outside the scope of an MGA's duties, as this is a more personal responsibility for each agent. Handling client consultations does take place, but it is usually done by individual agents who have direct relationships with clients, rather than by the MGA. Approving premium rates for insurance products is typically the responsibility of underwriters and actuaries, rather than the MGA, as they focus more on the distribution and management aspects within the agency structure rather than pricing decisions.

9. What requirement must a corporate general lines agency fulfill regarding claims?

- A. Pay no more than \$10,000 for any claims made**
- B. Be able to pay up to \$25,000 for claims**
- C. Provide unlimited liability insurance coverage**
- D. Have a minimum investment of \$50,000**

A corporate general lines agency must be able to pay up to \$25,000 for claims as a demonstration of its financial capability to handle the obligations associated with the insurance products it sells. This requirement ensures that the agency is equipped to provide financial protection to policyholders and can effectively manage potential claims against the insurance policies it administers. This threshold helps maintain industry standards and protects consumers by ensuring that agencies are financially viable and responsible. Meeting this requirement signifies that the agency can handle claims responsibly, thus fostering trust and reliability in the agency's operations. The other options do not reflect the regulatory standards set for corporate general lines agencies regarding claims management. For example, options related to specific claim payment limits, unlimited coverage, or minimum investments do not align with industry practices that emphasize the agency's ability to manage claims effectively. This regulation is an essential element in assuring that consumers can expect a certain level of service and security when they purchase insurance through licensed agencies.

10. What is one of the requirements for insurers when conducting investigations of claims?

- A. They can refuse to pay claims without any investigation**
- B. They must conduct a reasonable investigation**
- C. They can settle claims based solely on client statements**
- D. They must wait for 30 days before responding to claims**

Insurers are required to conduct a reasonable investigation when handling claims. This requirement ensures that claims are evaluated thoroughly and fairly, allowing for an accurate assessment of the situation and the validity of the claims submitted. The goal is to protect the rights of policyholders, ensure the integrity of the insurance process, and uphold the standards of fairness expected in the industry. Conducting a reasonable investigation typically involves gathering relevant information, reviewing documentation, and assessing the circumstances surrounding the claim. This not only aids in making informed decisions about claim payouts but also helps maintain the trust between the insurer and the insured, which is critical in the insurance relationship. Other options do not align with standard practices: refusing to pay without investigation undermines accountability; settling based only on client statements risks overlooking crucial evidence and can lead to unjust outcomes; and waiting 30 days before responding can hinder prompt resolution and customer satisfaction. Thus, the requirement for a reasonable investigation is fundamental to the proper functioning of an insurer's claims-handling process.

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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