

Texas Personal Lines Insurance 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. What does replacement cost refer to?**
 - A. Current cost of repairs without accounting for depreciation**
 - B. Full replacement of property at its current cost without depreciation**
 - C. Market value of the property**
 - D. Cost at the time of purchase plus added fees**
- 2. Who wouldn't qualify as a competent party in an insurance contract?**
 - A. An applicant with a valid driver's license**
 - B. An applicant who is 18 years or older**
 - C. An applicant with a prior felony conviction**
 - D. An applicant who has been declared mentally competent**
- 3. What type of compensatory damages is awarded for pain, suffering, and disfigurement?**
 - A. Special Damages**
 - B. General Damages**
 - C. Punitive Damages**
 - D. Nominal Damages**
- 4. In what situation best describes unintentional misrepresentation of a life insurance policy by an agent?**
 - A. The agent commits misconduct**
 - B. The agent is guilty of fraud**
 - C. There is no misconduct**
 - D. The agent is liable for damages**
- 5. Which term best describes the process of reviewing and approving policy applications?**
 - A. Regulation**
 - B. Underwriting**
 - C. Adjustment**
 - D. Liability**

6. Which of the following would NOT qualify as a hired auto?

- A. An auto borrowed from an employee**
- B. A rental car**
- C. A leased automobile**
- D. A vehicle used for business purposes**

7. What is the main difference between an HO4 and an HO6 policy?

- A. HO4 provides more dwelling coverage.**
- B. HO6 provides contents coverage only.**
- C. HO4 protects renters only.**
- D. HO6 includes limited dwelling coverage.**

8. What type of property is covered under a homeowners policy?

- A. Business property while on the residence premises**
- B. Auto insurance while in the garage**
- C. Property stored in commercial warehouses**
- D. Rental properties not owned by the policyholder**

9. What is house coverage typically classified under in homeowners insurance?

- A. Personal property coverage**
- B. Liability protection**
- C. Dwelling coverage**
- D. Additional living expenses**

10. Under what condition can broad theft coverage be added to a dwelling policy?

- A. If the insured is a tenant of the dwelling**
- B. If the insured is an owner-occupant of the dwelling**
- C. If the insured has a pet**
- D. If the insured has additional coverage**

Answers

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

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Explanations

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1. What does replacement cost refer to?

- A. Current cost of repairs without accounting for depreciation
- B. Full replacement of property at its current cost without depreciation**
- C. Market value of the property
- D. Cost at the time of purchase plus added fees

Replacement cost refers to the amount it would take to replace or repair property with new materials of similar kind and quality, without factoring in depreciation. This means that if an insured item is damaged or destroyed, the insurer will provide compensation sufficient to cover the full cost of replacing it at today's prices, rather than its value accounting for wear and tear over time. This approach is intended to ensure that policyholders can restore their property to its original condition, offering them better protection and peace of mind. In contrast, the other choices do not fully capture the essence of replacement cost. The current cost of repairs without accounting for depreciation does not emphasize the complete replacement aspect. Market value considers what the property could sell for on the open market, which may be significantly lower than what it costs to replace. Lastly, the cost at the time of purchase plus added fees does not reflect current replacement expenses or the quality of replacement materials. Thus, the definition of replacement cost focuses on ensuring that the insured receives the amount necessary to replace the property in its entirety, ignoring depreciation.

2. Who wouldn't qualify as a competent party in an insurance contract?

- A. An applicant with a valid driver's license
- B. An applicant who is 18 years or older
- C. An applicant with a prior felony conviction**
- D. An applicant who has been declared mentally competent

An applicant with a prior felony conviction would not automatically disqualify themselves from being considered a competent party in an insurance contract. However, the key point revolves around the broader concept of competency in legal terms. In the context of insurance contracts, a competent party typically refers to individuals who can understand the legal implications of their actions and are not subject to any prohibitive conditions that affect their capacity to enter into a contract. While having a felony conviction can impact various aspects of life, it doesn't inherently mean that the individual lacks the capacity to comprehend a contract. Competency is more closely related to age (the legal age to enter contracts, which is 18 in most jurisdictions), mental capacity (the ability to understand and make decisions), and not being under duress or coercion when entering the contract. In contrast, individuals who are of legal age, possess a valid driver's license, and have been determined as mentally competent generally meet the criteria for being considered competent parties in an insurance contract, as these factors indicate their ability to engage in contractual agreements responsibly. Hence, those with prior felony convictions are often misunderstood in terms of their capacity to engage in contracts, as the mere fact of a conviction alone does not negate their competency in this context.

3. What type of compensatory damages is awarded for pain, suffering, and disfigurement?

- A. Special Damages**
- B. General Damages**
- C. Punitive Damages**
- D. Nominal Damages**

General damages are designed to compensate for non-economic losses that are not easily quantifiable. This category includes compensation for pain and suffering, emotional distress, and disfigurement, which reflect the impact of an injury on a person's quality of life rather than any tangible financial loss. Unlike special damages, which are specifically calculated and can cover medical expenses, lost wages, and other direct costs, general damages address the subjective, personal suffering experienced by the injured party. Therefore, when an individual is awarded for pain, suffering, and disfigurement, they are receiving general damages that account for the broader implications of their injuries.

4. In what situation best describes unintentional misrepresentation of a life insurance policy by an agent?

- A. The agent commits misconduct**
- B. The agent is guilty of fraud**
- C. There is no misconduct**
- D. The agent is liable for damages**

In the context of unintentional misrepresentation of a life insurance policy by an agent, the situation best described by the correct choice highlights that the agent did not engage in any misconduct. Unintentional misrepresentation occurs when the agent provides information that is inaccurate without the intention to deceive. Agents are expected to provide accurate information about the policies they sell; however, if the error is made without intent to mislead, it does not constitute misconduct or fraudulent behavior. This understanding is essential in differentiating between honest mistakes and intentional acts aimed at deceiving clients, which is crucial in the realm of insurance and maintains the ethical standards expected of agents. By establishing that there is no misconduct in the case of unintentional misrepresentation, it reinforces the idea that agents may sometimes make errors without malice, and they should not be penalized in the same manner as those who engage in fraudulent activities.

5. Which term best describes the process of reviewing and approving policy applications?

- A. Regulation**
- B. Underwriting**
- C. Adjustment**
- D. Liability**

The term that best describes the process of reviewing and approving policy applications is underwriting. Underwriting is a critical function within the insurance industry where an underwriter assesses the risk associated with the applicant based on various factors such as their health, driving history, property condition, and other relevant criteria. This assessment helps the insurer determine whether to accept or reject the application, as well as what terms and conditions should apply if the policy is issued. Underwriting ensures that the insurance company can manage its risk effectively while still providing coverage that meets the needs of its clients. It involves a comprehensive evaluation process, including gathering information, analyzing data, and sometimes requiring additional documentation. The end result is a tailored insurance policy that reflects the assessed risk. The other terms listed do not capture this specific process. Regulation refers to the rules and laws governing the insurance industry, adjustment involves the claims process after an event occurs, and liability relates to the legal responsibilities that an insured party may have towards others. Each of these terms serves a different role within the insurance framework, but underwriting specifically pertains to the initial evaluation of applications for insurance coverage.

6. Which of the following would NOT qualify as a hired auto?

- A. An auto borrowed from an employee**
- B. A rental car**
- C. A leased automobile**
- D. A vehicle used for business purposes**

The classification of a "hired auto" in insurance terms typically refers to vehicles that are rented or leased by a business for business purposes. This includes vehicles that are rented, leased, or borrowed under certain conditions. When it comes to the correct answer, borrowing an auto from an employee does not meet the criteria established for hired autos. This is because such vehicles are not engaged in a formal rental or lease agreement like a rental car or leased automobile would be. Instead, borrowing from an employee can imply a more informal arrangement and does not convey the same rights and responsibilities that come with commercially rented vehicles. In contrast, both rental cars and leased automobiles are explicitly defined as hired autos because they are utilized under formal agreements that specify the terms of use and Liability coverage. A vehicle used for business purposes can qualify as a hired auto if it is rented or leased; however, if it is owned by the business, it would not be categorized as such. Therefore, borrowing an auto from an employee stands out as not fitting the definition of a hired auto.

7. What is the main difference between an HO4 and an HO6 policy?

- A. HO4 provides more dwelling coverage.**
- B. HO6 provides contents coverage only.**
- C. HO4 protects renters only.**
- D. HO6 includes limited dwelling coverage.**

The main distinction between an HO4 and an HO6 policy revolves around the types of coverage they provide, particularly concerning dwelling and contents coverage. The HO4 policy, also known as tenant's insurance, is designed specifically for renters. It focuses on covering personal property and liability, but it does not provide coverage for the structure itself since the renter does not own the dwelling. In contrast, the HO6 policy is tailored for condo owners. While it does include coverage for personal property, it also encompasses limited dwelling coverage. This means that the HO6 policy protects not only personal belongings but also covers specific parts of the condo unit that the policyholder is responsible for, such as walls, fixtures, or improvements made to the unit, typically in accordance with the condo association's bylaws. This fundamental difference highlights that the HO6 policy is more comprehensive in terms of dwelling coverage in the context of ownership, while HO4 is specifically geared towards protecting the interests of renters.

8. What type of property is covered under a homeowners policy?

- A. Business property while on the residence premises**
- B. Auto insurance while in the garage**
- C. Property stored in commercial warehouses**
- D. Rental properties not owned by the policyholder**

A homeowners policy typically provides coverage for personal property that is owned by the policyholder, which can include certain limited types of business property while located on the residence premises. This might encompass items like office equipment or inventory that the policyholder uses for a home-based business, up to a specified limit. The policy is designed to cover personal items that enhance the value of the home and contribute to the functionality of the owner's living space, which may include some business-related assets if they are used on the site. It's important for homeowners to understand the extent of this coverage, as personal homeowners policies often have specific exclusions and limitations regarding business operations and the property associated with them. The other options describe property situations that generally fall outside the scope of standard homeowners insurance. Business property away from the residence is typically covered under a commercial policy. Auto insurance is not covered under homeowners policies, as they are distinct forms of coverage that deal with vehicles. Property stored in commercial warehouses is also outside the purview of homeowners insurance, instead needing appropriate business or commercial property insurance. Finally, rental properties not owned by the policyholder lack coverage under a homeowners policy, which is designed for personal residential property owned by the insured. This understanding clarifies why business property while on the residence

9. What is house coverage typically classified under in homeowners insurance?

- A. Personal property coverage**
- B. Liability protection**
- C. Dwelling coverage**
- D. Additional living expenses**

House coverage in homeowners insurance is classified as dwelling coverage. This type of coverage is essential because it specifically protects the physical structure of the home itself, including the walls, roof, and built-in appliances, from covered perils such as fire, theft, and certain types of water damage. Dwelling coverage is a fundamental component of a homeowners insurance policy, as it provides the primary financial protection for a homeowner in the event of damage or loss to the home. This protection extends not only to the main structure but can also encompass attached structures like garages, as well as certain types of improvements made to the property. In contrast, personal property coverage pertains to the belongings within the home, such as furniture and clothing, while liability protection addresses legal responsibilities in case a person is injured on the property or incurs damages. Additional living expenses cover costs incurred when a home becomes uninhabitable due to a covered loss, thus allowing the insured to maintain their standard of living while repairs are made. Each of these categories serves a distinct purpose in a homeowners insurance policy, but dwelling coverage is specifically focused on the protection of the home's structure.

10. Under what condition can broad theft coverage be added to a dwelling policy?

- A. If the insured is a tenant of the dwelling**
- B. If the insured is an owner-occupant of the dwelling**
- C. If the insured has a pet**
- D. If the insured has additional coverage**

Broad theft coverage can be added to a dwelling policy specifically when the insured is an owner-occupant of the dwelling. This coverage is designed to protect individuals who live in and maintain the property, allowing them to secure protection against theft of personal property. Owner-occupants have a vested interest in the dwelling and its contents since they reside there, making it logical for insurers to offer this added protection. This coverage responds to the higher risks that come with living in the home, and it typically covers theft not only of household goods but also items that belong to others if they are in the insured's care. Other conditions mentioned, such as being a tenant or having a pet, do not meet the requirements for adding broad theft coverage. Tenants typically are covered under renters insurance, which is equipped to handle personal property theft, while pet ownership does not directly relate to the need for or eligibility of theft coverage in a dwelling policy. Additionally, having additional coverage doesn't inherently qualify one for broad theft coverage without the primary condition of being an owner-occupant being met.

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://texaspersonallinesinsurance.examzify.com>

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

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