

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 is an endorsement in insurance terminology?**
 - A. A policy amendment that modifies original terms**
 - B. A contract renewal process**
 - C. A type of insurance fraud**
 - D. A provision to lower premiums**

- 2. Why is it essential to keep insurance documentation current?**
 - A. To increase premiums unnecessarily**
 - B. To ensure coverage reflects changes in circumstances or property values**
 - C. To make the policy harder to understand**
 - D. To reduce the effectiveness of the coverage**

- 3. Which of the following would NOT qualify as rebating?**
 - A. Giving a client a \$25 pen with the insurer's logo**
 - B. Offering cash back on policy premiums**
 - C. Distributing gift cards for insurance purchases**
 - D. Providing a discount on the next policy renewal**

- 4. What is the coverage limit for a person injured in an accident under a liability policy with limits of 25/50/15?**
 - A. \$25,000 for all injuries**
 - B. \$15,000 for one individual**
 - C. \$50,000 for one individual**
 - D. \$25,000 for one individual**

- 5. In which situation can personal property coverage limits be applied?**
 - A. For property located outside the home**
 - B. For property in storage**
 - C. For property used for business**
 - D. Only for personal items at home**

- 6. 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.**
- 7. What is NOT considered as consideration in an insurance policy?**
- A. The application given to a prospective insured**
 - B. The premium payment made by the insured**
 - C. The insurer's promise to pay claims**
 - D. The service of insurance provided**
- 8. Which provision requires the insured to protect damaged property from further damage?**
- A. Loss settlement**
 - B. Duties after loss**
 - C. Premium payment**
 - D. Subrogation**
- 9. What is the function of exclusion clauses in insurance policies?**
- A. To increase premium rates**
 - B. To define claims processing procedures**
 - C. To specify risks not covered by the policy**
 - D. To outline benefits provided by the policy**
- 10. What is a common requirement for obtaining flood insurance?**
- A. Proof of property ownership**
 - B. Having a swimming pool on the property**
 - C. Maintaining a certain credit score**
 - D. Having comprehensive home insurance already**

Answers

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

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Explanations

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1. What is an endorsement in insurance terminology?

- A. A policy amendment that modifies original terms**
- B. A contract renewal process**
- C. A type of insurance fraud**
- D. A provision to lower premiums**

An endorsement in insurance terminology refers specifically to a policy amendment that modifies the original terms of the insurance contract. This can involve adding new coverage, removing certain exclusions, or making specific adjustments to the coverage limits or conditions outlined in the policy. Endorsements are essential because they allow policyholders to tailor their insurance coverage to meet their individual needs or to reflect changes in their circumstances, such as acquiring new property or changing the use of an insured item. In the context of a home insurance policy, for instance, an endorsement could extend coverage to include special items like jewelry or collectibles, which might not be covered under the standard policy provisions. This flexibility is vital for ensuring that the policy remains relevant and adequately protects the insured against potential risks.

2. Why is it essential to keep insurance documentation current?

- A. To increase premiums unnecessarily**
- B. To ensure coverage reflects changes in circumstances or property values**
- C. To make the policy harder to understand**
- D. To reduce the effectiveness of the coverage**

Keeping insurance documentation current is crucial because it ensures that the coverage aligns with any changes in an individual's circumstances or property values. Life is dynamic, and changes such as acquiring new assets, renovating a home, or even changes in employment can significantly affect risk assessments and coverage needs. If insurance policies are not updated in accordance with these changes, policyholders may find themselves underinsured, potentially facing significant out-of-pocket expenses during a claim. For example, if a homeowner remodels their house and increases its value but does not update their homeowners insurance, they may not receive full compensation in the event of a loss. By keeping documentation current, policyholders can ensure they have adequate protection that meets their actual needs, thus minimizing financial risks and ensuring peace of mind.

3. Which of the following would NOT qualify as rebating?

- A. Giving a client a \$25 pen with the insurer's logo**
- B. Offering cash back on policy premiums**
- C. Distributing gift cards for insurance purchases**
- D. Providing a discount on the next policy renewal**

Rebating refers to the practice of returning a portion of the premium or providing something of value to the policyholder as an inducement to purchase insurance. In this context, a promotional item, such as a \$25 pen with the insurer's logo, does not qualify as rebating. This is because the pen is a promotional item intended to enhance brand recognition and customer engagement rather than directly incentivizing the purchase through the return of premium or value in a monetary form. In contrast, cash back on policy premiums, gift cards for insurance purchases, and discounts on the next policy renewal all involve providing financial benefits directly linked to the purchase or retention of a policy, which fits the definition of rebating. These practices could potentially create an unfair competitive advantage and are therefore scrutinized under insurance regulations. Thus, the promotional pen stands apart as a legitimate marketing effort, aligning it outside the scope of rebating.

4. What is the coverage limit for a person injured in an accident under a liability policy with limits of 25/50/15?

- A. \$25,000 for all injuries**
- B. \$15,000 for one individual**
- C. \$50,000 for one individual**
- D. \$25,000 for one individual**

The correct coverage limit in this case relates to the structure of liability insurance limits represented by the numbers 25/50/15. This notation indicates three different coverage limits under a liability policy: - The first number, 25, refers to the maximum amount the policy will pay for bodily injury per individual injured in an accident. - The second number, 50, indicates the maximum total amount the insurance will pay for all bodily injuries resulting from a single accident, regardless of the number of people injured. - The third number, 15, pertains to the total property damage coverage limit for any single accident. Given these definitions, the correct answer reflects that the coverage limit of \$50,000 applies to all individuals injured in the accident collectively, but importantly, it provides a clear maximum of \$25,000 per individual injured. Thus, if one person sustains injuries in an accident, the highest amount that person can receive from this policy is indeed \$25,000. Therefore, the limit for a person injured in an accident under this liability policy with the specified coverage limits is accurately represented.

5. In which situation can personal property coverage limits be applied?

- A. For property located outside the home**
- B. For property in storage**
- C. For property used for business**
- D. Only for personal items at home**

Personal property coverage limits are designed to protect an individual's belongings under specific circumstances, one of which includes property located outside the home. This is particularly relevant since personal property insurance typically covers items such as clothing, furniture, and electronics, whether they are within the insured residence or temporarily taken outside. Having coverage for personal property outside the home accommodates various scenarios, such as personal items carried while traveling, attending events, or even property temporarily at other locations. Coverage often extends to personal belongings in scenarios like these, which aligns with the flexibility that many policyholders require in protecting their assets. Other options, while they may suggest situations concerning property, do not adequately reflect the scope of coverage typically afforded by personal property insurance or can lead to misunderstandings about the limitations of those coverage options. For instance, personal property might not be covered if used for business purposes due to specific exclusions in many policies. Items in storage might also have limitations based on the specifics of the insurance policies related to location or type of storage. Lastly, while personal items at home are indeed covered, this choice doesn't reflect the extent of coverage for items outside the home, which is a significant feature of personal property coverage.

6. 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.

7. What is NOT considered as consideration in an insurance policy?

- A. The application given to a prospective insured**
- B. The premium payment made by the insured**
- C. The insurer's promise to pay claims**
- D. The service of insurance provided**

In the context of an insurance policy, consideration refers to something of value that is exchanged between the parties involved—the insured and the insurer. The premium payment made by the insured is a clear case of consideration, as it represents the payment for coverage. Likewise, the insurer's promise to pay claims is considered consideration because it is the fundamental promise that underpins the insurance contract; it is what the insured receives in exchange for their premium payment. Additionally, the service of insurance provided itself contributes to the overall exchange of value, ensuring the policyholder is protected under the terms of the policy. The application, while an important step in the process of obtaining insurance, does not itself constitute consideration in the legal sense. It is more of a request or an offer from the prospective insured that initiates the contract process, but it does not represent an exchange of value. Thus, the application does not fulfill the requirement of consideration since it does not involve a reciprocal transfer of value between the parties.

8. Which provision requires the insured to protect damaged property from further damage?

- A. Loss settlement**
- B. Duties after loss**
- C. Premium payment**
- D. Subrogation**

The provision that mandates the insured to protect damaged property from further damage is known as Duties after loss. This provision outlines the responsibilities of the insured following a loss event. It includes obligations such as notifying the insurer about the loss, providing a detailed description of the damage, and taking reasonable steps to mitigate further damage to the property. By doing so, the insured demonstrates a commitment to minimize the financial impact of the loss and helps ensure that any claims made are justifiable. This is crucial for insurance companies, as they rely on the insured to take proactive measures in protecting their own property to not only reduce further costs but also facilitate the claims process efficiently.

9. What is the function of exclusion clauses in insurance policies?

- A. To increase premium rates**
- B. To define claims processing procedures**
- C. To specify risks not covered by the policy**
- D. To outline benefits provided by the policy**

Exclusion clauses in insurance policies serve the critical purpose of specifying which risks are not covered under the policy. By clearly defining exclusions, insurers can limit their liability and avoid paying claims for situations or circumstances that fall outside the agreed-upon coverage. This allows policyholders to understand the parameters of their coverage more thoroughly, ensuring they are aware of potential gaps and limitations. For example, a homeowner's insurance policy might include exclusions for certain natural disasters, such as earthquakes or floods, meaning that if those events occur, the insurer will not provide compensation for any damages. This specificity helps both the insurer and the insured manage expectations and understand the full scope of the insurance contract. While some options relate to other aspects of insurance policies, they do not capture the primary function of exclusion clauses. Increased premium rates relate to the risk assessment and pricing strategies but do not directly involve exclusions. Claims processing procedures are more about how claims are filed and handled, and outlining benefits pertains to the positive coverage details, not exclusions. Thus, the role of exclusion clauses is uniquely focused on identifying and clarifying what is not covered.

10. What is a common requirement for obtaining flood insurance?

- A. Proof of property ownership**
- B. Having a swimming pool on the property**
- C. Maintaining a certain credit score**
- D. Having comprehensive home insurance already**

Obtaining flood insurance typically requires proof of property ownership because it establishes that the applicant has a vested interest in the property that is to be insured against flood risks. Insurers need to confirm that the individual requesting flood coverage is indeed the property owner, as flooding can present significant financial risks. This requirement helps ensure that the policyholder has a legitimate claim to the property, which is crucial when determining eligibility and coverage limits. The other options do not generally apply as common requirements for obtaining flood insurance. For instance, having specific features such as a swimming pool does not affect eligibility for flood coverage; and while financial factors might play a role in an individual's overall planning for insurance, there is typically no requirement for a specific credit score to obtain flood insurance. Furthermore, it is not necessary to already have comprehensive home insurance to obtain flood insurance, as these are separate policies that may address different risks.

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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