

# TEXAS PERSONAL LINES INSURANCE PRACTICE EXAM (SAMPLE)

**STUDY GUIDE**



**SAMPLE STUDY GUIDE  
WITH LIMITED QUESTIONS**

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THE FULL VERSION STUDY GUIDE**

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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 does previous claims history affect insurance premiums?**
  - A. It has no effect on premiums
  - B. Frequent claims may increase premiums
  - C. Previous claims always lower premiums
  - D. Only high-value claims affect premiums
  
- 2. 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
  
- 3. In personal automobile policies, what does 'comprehensive' refer to?**
  - A. Coverage only for collision-related damages
  - B. Protection against damages from non-collision incidents like theft or natural disasters
  - C. Only liability coverage for injuries and damages to others
  - D. Exclusively for damages caused by uninsured motorists
  
- 4. What does a Personal Umbrella Policy provide?**
  - A. Coverage for home repairs
  - B. Additional liability coverage beyond standard policies
  - C. Protection for personal property
  - D. Mandatory coverage for vehicle accidents
  
- 5. What is the minimum amount of coverage that should be carried on an HO2 if the home has a replacement value of \$100,000?**
  - A. \$60,000
  - B. \$80,000
  - C. \$100,000
  - D. \$75,000

- 6. Under the dwelling policy, what does coverage C - personal property cover?**
- A. Only the insured's property
  - B. Only a servant's property while at the insured location
  - C. Any property on the premises regardless of ownership
  - D. Only the insured's personal property in transit
- 7. Which of the following is a general exclusion for all three DP forms?**
- A. Water damage
  - B. Loss due to fire
  - C. Theft of personal property
  - D. Flood damage
- 8. What does the term "owned autos" include under auto insurance?**
- A. A vehicle used only for personal travel
  - B. A vehicle titled to the insured and used for business
  - C. All vehicles registered in the insured's name
  - D. A vehicle used for rental purposes
- 9. What must a proof of loss statement be?**
- A. Verbal
  - B. In writing
  - C. Notarized
  - D. Signed by a witness
- 10. What defines an insurer that holds a certificate of authority in a state?**
- A. Unauthorized insurer
  - B. Risk-bearing entity
  - C. Authorized insurer
  - D. Self-insured organization

## **Answers**

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

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## **Explanations**

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## 1. How does previous claims history affect insurance premiums?

- A. It has no effect on premiums
- B. Frequent claims may increase premiums**
- C. Previous claims always lower premiums
- D. Only high-value claims affect premiums

*Previous claims history significantly influences insurance premiums because insurers use it as a critical factor in assessing the risk associated with a policyholder. A history of frequent claims signals to the insurer that the individual or entity may be prone to future claims, which inherently increases the risk for the insurer. As a result, insurers may raise premiums to offset this perceived increased risk. When an individual files multiple claims, insurance companies may view them as higher risk, potentially leading to higher premiums at renewal or when quoting for a new policy. Thus, the more frequently a policyholder has made claims, the more likely it is that their premiums will increase as a direct consequence of their claim history. In contrast, having no claims or very few claims may lead to lower premiums or discounts, as it demonstrates to insurers that the policyholder is less likely to file claims in the future. Additionally, it is important to note that while high-value claims certainly have an impact, frequent smaller claims can also lead to premium increases, emphasizing the importance of claim frequency over just the value of individual claims.*

## 2. 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.*

### 3. In personal automobile policies, what does 'comprehensive' refer to?

- A. Coverage only for collision-related damages
- B. Protection against damages from non-collision incidents like theft or natural disasters**
- C. Only liability coverage for injuries and damages to others
- D. Exclusively for damages caused by uninsured motorists

*In personal automobile policies, 'comprehensive' refers to protection against damages from non-collision incidents like theft or natural disasters. This type of coverage is designed to safeguard the insured vehicle from a variety of risks that do not involve a collision with another vehicle or object. Comprehensive coverage includes protection against events such as theft, vandalism, fire, flooding, hail, and other natural disasters. It is essential for drivers who want to ensure that their vehicle is protected from a wide range of unforeseen events that can lead to damage or loss, providing peace of mind in terms of overall vehicle security. The other options do not accurately represent the scope of comprehensive coverage. For instance, coverage that is limited to collision-related damages is not comprehensive but rather collision coverage, which only addresses events where the insured vehicle is damaged in an accident with another vehicle or object. Liability coverage pertains to injuries or damages sustained by others and does not cover the insured's vehicle, while uninsured motorist coverage focuses on damages caused by drivers lacking insurance and does not encompass the broader range of risks that comprehensive coverage addresses.*

### 4. What does a Personal Umbrella Policy provide?

- A. Coverage for home repairs
- B. Additional liability coverage beyond standard policies**
- C. Protection for personal property
- D. Mandatory coverage for vehicle accidents

*A Personal Umbrella Policy serves as an additional layer of liability protection that goes beyond the coverage limits provided by standard insurance policies, such as homeowners, auto, or renters insurance. This type of policy is designed to protect the policyholder against large claims or lawsuits that could exceed the limits of their primary insurance. For example, if an individual is found liable for a severe incident, such as a serious car accident or a significant injury that occurs on their property, the costs could quickly escalate beyond the primary policy limits. The Personal Umbrella Policy would kick in to provide coverage for these excess amounts, ensuring the policyholder's assets remain protected. In contrast, the other options listed do not accurately reflect the primary function of a Personal Umbrella Policy. It does not cover home repairs or protection for personal property directly. Additionally, while vehicle accidents may lead to liability claims, the coverage provided by a Personal Umbrella Policy is not mandatory and does not specifically serve to cover these incidents under a legal requirement; rather, it is an optional policy purchased for enhanced protection.*

**5. What is the minimum amount of coverage that should be carried on an HO2 if the home has a replacement value of \$100,000?**

- A. \$60,000
- B. \$80,000**
- C. \$100,000
- D. \$75,000

*To determine the minimum amount of coverage for an HO2 policy, also known as a Broad Form Homeowners policy, it's important to consider the replacement value of the home. In this case, with a home valued at \$100,000, the minimum coverage that is often recommended is at least 80% of the residence's replacement cost. Calculating 80% of \$100,000 results in \$80,000, which aligns with the recommended minimum guidelines for insurance to ensure that in the event of a total loss, the amount covered will adequately enable the homeowner to rebuild the property to its full value. This coverage level helps avoid penalties associated with underinsurance and ensures adequate financial protection. Carrying coverage below this threshold could lead to significant out-of-pocket costs if a loss occurs, as the insurance would not provide sufficient funds to cover the necessary rebuilding expenses based on current construction costs. Thus, securing \$80,000 in coverage would ensure the homeowner meets the minimum requirement set forth by insurance guidelines for an HO2 policy in relation to the home's replacement value.*

**6. Under the dwelling policy, what does coverage C - personal property cover?**

- A. Only the insured's property
- B. Only a servant's property while at the insured location**
- C. Any property on the premises regardless of ownership
- D. Only the insured's personal property in transit

*Coverage C in a dwelling policy is specifically designed to cover personal property belonging to the insured, as well as certain personal property owned by others that is in the insured's care, custody, or control. While it does provide some coverage for items belonging to guests or employees, it primarily focuses on the insured's own property. Therefore, the correct understanding of this coverage indicates that it applies predominantly to the insured's assets and specific exclusions prevent broader applications like coverage for unrelated personal belongings or items belonging solely to servants unless they fall under the categories of personal effects while within the insured premises. This protection includes items used for personal, recreational, or household purposes, providing a layer of security against risks such as theft or damage from perils like fire or vandalism. Understanding this coverage helps the insured ensure they have adequate protection for their belongings, thus giving them peace of mind regarding their personal property.*

## 7. Which of the following is a general exclusion for all three DP forms?

- A. Water damage**
- B. Loss due to fire
- C. Theft of personal property
- D. Flood damage

*The correct answer is water damage, as it is a general exclusion that is consistent across all three Dwelling Property (DP) forms. Each DP form—Basic, Broad, and Special—has specific coverage details, but water damage, particularly from flooding or surface water, is commonly excluded. This means that policyholders cannot rely on their dwelling insurance to cover damages from water that comes from outside sources, which includes floods and rising waters, unless they have a separate flood insurance policy. Loss due to fire, on the other hand, is specifically covered under all three DP forms, as it is a fundamental risk that homeowners face. Theft of personal property is also generally covered, especially in the Broad and Special forms, as they include personal property protection against theft. Thus, these options would not qualify as general exclusions across the forms. Flood damage is often separated from standard water damage definitions and is explicitly excluded in standard property policies, but it is more specifically noted as a type of water damage rather than a broader category. Therefore, understanding that water damage is the overarching exclusion helps clarify why it is the correct answer.*

## 8. What does the term "owned autos" include under auto insurance?

- A. A vehicle used only for personal travel
- B. A vehicle titled to the insured and used for business**
- C. All vehicles registered in the insured's name
- D. A vehicle used for rental purposes

*The term "owned autos" in the context of auto insurance refers to vehicles that are titled to the insured. This includes cars that are used for various purposes, including personal, business, or a mix of both, as long as they are registered in the insured's name. Therefore, a vehicle that is titled to the insured and used for business falls under the category of owned autos, as it clearly meets the fundamental requirement of being legally recognized as owned by the insured. In contrast, while personal use vehicles can be part of owned autos, the definition encompasses more than just those used solely for personal travel. Similarly, all vehicles registered in the insured's name would broaden the definition unnecessarily, as it suggests coverage may extend to vehicles that might not be primarily used by or might not be under the direct ownership of the insured. Additionally, vehicles used for rental purposes do not qualify as owned autos, since they are not titled to the insured, which is a key factor in defining ownership in auto insurance.*

## 9. What must a proof of loss statement be?

- A. Verbal
- B. In writing**
- C. Notarized
- D. Signed by a witness

*A proof of loss statement must be in writing to be considered valid. This requirement is essential as it provides a clear, documented account of the claim being made by the policyholder. A written statement ensures that all details pertaining to the loss are accurately recorded, including the nature of the claim, the facts surrounding the incident, and any other relevant information. This document serves as an official record, making it easier for insurance companies to review and process the claim efficiently. While some may think that a verbal statement might suffice, the lack of a written record would lead to potential misunderstandings and difficulties in verifying the details of the claim. Notarization and the need for a witness signature, while they might add additional layers of verification, are not generally required for a proof of loss statement itself. Therefore, the key takeaway is that a written format is essential for the integrity and clarity necessary in submitting an insurance claim.*

## 10. What defines an insurer that holds a certificate of authority in a state?

- A. Unauthorized insurer
- B. Risk-bearing entity
- C. Authorized insurer**
- D. Self-insured organization

*An insurer that holds a certificate of authority in a state is identified as an authorized insurer. This designation indicates that the insurer has received the necessary approval from the state's insurance department to operate and provide insurance products within that state. This certificate confirms that the insurer meets specific regulatory requirements, including financial standards, and complies with state laws governing insurance practices. Authorized insurers are subject to oversight from regulatory bodies, which ensures consumer protection and financial stability within the insurance market. This also reassures policyholders that the insurer is deemed reputable and capable of fulfilling its contractual obligations in the event of a claim. In contrast, an unauthorized insurer is one that has not obtained the proper certification; thus, it may not engage in business legally within that state, which poses risks for consumers. A risk-bearing entity generally refers to any organization that assumes the risk of loss but does not necessarily imply it is authorized. Self-insured organizations are those that set aside funds to cover potential losses rather than purchasing insurance, and they too do not correspond with the definition of holding a certificate of authority.*

## 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](mailto: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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