

Texas Property and Casualty License Practice Exam (Sample)

Study Guide



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SAMPLE

Questions

- 1. Who is considered the tortfeasor in a case of direct liability?**
 - A. The person wrongfully injured**
 - B. The party responsible for the wrong**
 - C. The insurance company**
 - D. The bystander witnessing the act**
- 2. What types of losses are classified as property?**
 - A. Financial assets and liabilities**
 - B. Non-property losses and legal liabilities**
 - C. Structures and personal property**
 - D. Speculative investments**
- 3. What is the primary purpose of an umbrella policy?**
 - A. To provide basic auto coverage**
 - B. To cover floods in specific areas**
 - C. To provide extra liability coverage beyond other policies**
 - D. To lower premium costs on essential policies**
- 4. What is one part of the coverage under comprehensive insurance?**
 - A. Collision with another car**
 - B. Fire and explosion**
 - C. Liability for bodily injury**
 - D. Road damage to tires**
- 5. What does "twisting" refer to in the context of insurance?**
 - A. Encouraging policyholders to file claims**
 - B. Using misrepresentation to induce a person to switch coverage**
 - C. Offering discounts to loyal customers**
 - D. Adjusting claims to reduce company payout**

- 6. What is auto liability insurance designed to cover?**
- A. Injury to the insured driver**
 - B. Property damage and bodily injury to others in an accident**
 - C. Damage to the insured's vehicle only**
 - D. Medical expenses for the insured only**
- 7. What is the maximum daily benefit for transportation expenses after a total theft under comprehensive coverage?**
- A. \$30 per day**
 - B. \$20 per day**
 - C. \$15 per day**
 - D. \$25 per day**
- 8. What type of coverage is typically included in a "landlord policy"?**
- A. Protection for personal property only**
 - B. Coverage against liability and loss of rental income**
 - C. Only coverage for tenant-related issues**
 - D. Insurance for non-residential properties**
- 9. Which of the following best describes bodily injury?**
- A. Injury to property due to negligence**
 - B. Injuries including pain and suffering**
 - C. Damage to a person's reputation**
 - D. Loss of income due to an accident**
- 10. In Texas, what is required for an insurance policy to be enforceable?**
- A. Verbal agreement between parties**
 - B. Written policy signed by both parties**
 - C. Payment of the initial premium**
 - D. Approval from the state insurance commissioner**

Answers

SAMPLE

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

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Explanations

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1. Who is considered the tortfeasor in a case of direct liability?

- A. The person wrongfully injured**
- B. The party responsible for the wrong**
- C. The insurance company**
- D. The bystander witnessing the act**

In a case of direct liability, the tortfeasor is identified as the party responsible for committing the wrongful act that caused harm to another individual. This individual or entity, by engaging in negligent or intentional behavior, directly contributes to the injury or damage experienced by the victim. The tortfeasor is legally accountable for their actions, making them the central figure in any liability claims. The other options illustrate various roles that may be present in the scenario but do not fulfill the criteria of being a tortfeasor. The individual wrongfully injured is the victim of the tort, while the insurance company typically covers the financial losses associated with the liability of the tortfeasor, but it does not itself commit the wrongful act. A bystander, although they may witness the act, doesn't have a responsibility or direct involvement in the wrongdoing. Thus, the clear distinction of accountability points to the party responsible for the wrong, affirming the choice correctly.

2. What types of losses are classified as property?

- A. Financial assets and liabilities**
- B. Non-property losses and legal liabilities**
- C. Structures and personal property**
- D. Speculative investments**

The classification of property losses focuses on tangible and intangible items that individuals or businesses can own. Structures and personal property constitute the essence of property losses. This includes real estate such as buildings, homes, and other physical structures, as well as personal belongings like furniture, electronics, and vehicles. Understanding this classification is important because property insurance typically covers these types of losses, providing financial protection in case of damage, theft, or destruction. On the other hand, financial assets, liabilities, or speculative investments are not considered property losses in this context, as they relate more to financial conditions or opportunities rather than directly to owned physical items. Hence, the correct choice encapsulates the core definition of property losses within the realm of insurance and risk management.

3. What is the primary purpose of an umbrella policy?

- A. To provide basic auto coverage
- B. To cover floods in specific areas
- C. To provide extra liability coverage beyond other policies**
- D. To lower premium costs on essential policies

The primary purpose of an umbrella policy is to provide extra liability coverage beyond what is available through standard insurance policies, such as homeowners, auto, or boat insurance. This type of policy is designed to protect individuals from major claims and lawsuits that could exceed the limits of their primary insurance coverage. By offering higher limits of liability, an umbrella policy serves as an additional layer of financial protection, which can be crucial in the event of serious accidents, injuries, or property damage that could lead to significant legal costs or settlements. In contrast, the other choices focus on more specific or alternative elements of insurance coverage. Basic auto coverage specifically addresses auto-related incidents and does not extend to broader liabilities. Coverage for floods is typically handled by separate flood insurance policies, not by umbrella policies. Lastly, while lowering premium costs can be a consideration when evaluating insurance needs, it is not the primary function of an umbrella policy. Instead, it focuses on enhancing liability coverage to ensure greater protection for the insured's assets.

4. What is one part of the coverage under comprehensive insurance?

- A. Collision with another car
- B. Fire and explosion**
- C. Liability for bodily injury
- D. Road damage to tires

Comprehensive insurance, often referred to as "other than collision" coverage, protects against a variety of risks that are not related to direct collisions with other vehicles. One significant aspect of comprehensive insurance is coverage for fire and explosion. This means that if a vehicle is damaged or destroyed due to a fire or an explosion, the comprehensive policy would cover the loss, thus providing financial protection for the insured. In contrast, aspects such as collision with another car fall under collision coverage, while liability for bodily injury pertains to personal liability policies and not specifically to comprehensive plans. Road damage to tires is generally not covered unless specified, as it relates more to the operational use of the vehicle rather than risks covered under comprehensive insurance. Thus, fire and explosion coverage aligns directly with the protective features of comprehensive insurance, highlighting its role in mitigating various non-collision related risks.

5. What does "twisting" refer to in the context of insurance?

- A. Encouraging policyholders to file claims**
- B. Using misrepresentation to induce a person to switch coverage**
- C. Offering discounts to loyal customers**
- D. Adjusting claims to reduce company payout**

Twisting refers specifically to the unethical practice of using misrepresentation or misleading information to persuade policyholders to abandon their current insurance policy in favor of a new one, often with a different insurer. This practice is considered harmful as it undermines the trust in the insurance system and can lead to policyholders making poor decisions based on inaccurate or exaggerated claims about the benefits of switching coverage. When an agent engages in twisting, they may provide false information about the current policy's features or the new policy's benefits. This could involve downplaying the advantages of the existing coverage or exaggerating the shortcomings of that coverage to entice the policyholder into making a switch. It is illegal and goes against ethical business practices in the insurance industry, leading to potential penalties for the agents involved. The other options do not accurately capture the definition of twisting: - Encouraging policyholders to file claims pertains to claims management rather than switching policies. - Offering discounts to loyal customers is a standard business practice and not related to twisting. - Adjusting claims to reduce company payout relates to claims handling and not the inducement to switch policies. By identifying misrepresentation as the key element of twisting, it becomes clearer why this choice is the most accurate representation of the term in insurance terminology.

6. What is auto liability insurance designed to cover?

- A. Injury to the insured driver**
- B. Property damage and bodily injury to others in an accident**
- C. Damage to the insured's vehicle only**
- D. Medical expenses for the insured only**

Auto liability insurance is designed primarily to cover property damage and bodily injury that the insured driver may cause to other people in the event of an accident. This type of coverage is essential because it protects the insured from financial loss arising from claims made by third parties for damages related to an accident for which the insured is found to be at fault. In most auto liability insurance policies, there are two primary components: bodily injury liability, which pays for the medical expenses and lost wages of others injured in an accident, and property damage liability, which covers repairs to other people's property, such as vehicles or structures, that are damaged because of the accident. Understanding the importance of this coverage is crucial for drivers, as it is often a legal requirement to have a minimum amount of liability insurance to operate a vehicle. This requirement helps ensure that victims of accidents have a means of receiving compensation for their injuries and damages, promoting a safer driving environment and financial responsibility among drivers.

7. What is the maximum daily benefit for transportation expenses after a total theft under comprehensive coverage?

- A. \$30 per day
- B. \$20 per day**
- C. \$15 per day
- D. \$25 per day

Under comprehensive coverage, the maximum daily benefit for transportation expenses after a total theft is \$20 per day. This amount reflects the typical compensation provided to policyholders to cover transportation costs incurred while their vehicle is not available due to theft. This limit is established to help cover some of the expenses that the insured might incur from using alternative transportation options, such as rental cars or public transit, during the time the stolen vehicle remains unrecovered. Understanding this aspect of comprehensive coverage is crucial for policyholders, as it helps them plan financially in the event of a vehicle theft, ensuring they are aware of the support their insurance policy provides during such an incident.

8. What type of coverage is typically included in a "landlord policy"?

- A. Protection for personal property only
- B. Coverage against liability and loss of rental income**
- C. Only coverage for tenant-related issues
- D. Insurance for non-residential properties

A landlord policy is designed to protect property owners who rent out residential properties. It usually includes coverage against liability, which can protect the owner in case a tenant or visitor suffers an injury on the property. Additionally, it covers loss of rental income, which ensures that the landlord can recover lost income if the property becomes uninhabitable due to a covered loss, such as fire or severe damage. This comprehensive approach distinguishes landlord policies from coverage types focused solely on personal property or tenant-related issues. While there are policies that might only cover personal property or focus on tenant concerns, these do not encompass the full range of protections a landlord policy provides. It also specifically addresses risks relevant to rented properties rather than covering non-residential properties, which are typically insured under different types of commercial insurance. Thus, the inclusion of liability protection and loss of rental income is a defining feature of a landlord policy, making it essential for landlords to manage their risks effectively.

9. Which of the following best describes bodily injury?

- A. Injury to property due to negligence**
- B. Injuries including pain and suffering**
- C. Damage to a person's reputation**
- D. Loss of income due to an accident**

Bodily injury encompasses physical injuries to an individual, which can also include emotional distress and psychological aspects, often referred to collectively as pain and suffering. This definition captures a wide range of physical harm, from minor injuries to serious or even fatal injuries resulting from an incident. It recognizes that injury is not just about physical damage but also the pain and emotional trauma that accompany such harm. In contrast, the other options reflect different concepts. Damage to a person's reputation fits under defamation or personal injury rather than bodily injury. Loss of income due to an accident is a type of economic damage, which can arise from bodily injury but is not a description of bodily injury itself. Finally, injury to property due to negligence pertains to property damage rather than the physical harm experienced by individuals. Understanding the breadth of what constitutes bodily injury is crucial in the context of insurance claims and liability.

10. In Texas, what is required for an insurance policy to be enforceable?

- A. Verbal agreement between parties**
- B. Written policy signed by both parties**
- C. Payment of the initial premium**
- D. Approval from the state insurance commissioner**

For an insurance policy to be enforceable in Texas, it must be documented in a written format and signed by both parties involved in the contract. This requirement ensures that the terms of the agreement are clear, legally binding, and acknowledged by both the insurer and the insured. A written policy provides a tangible reference that outlines the coverage, terms, and obligations, which is crucial in case a dispute arises. While the other options present various aspects related to insurance agreements, they do not satisfy the fundamental requirement for enforceability. A verbal agreement lacks the necessary written documentation and formal acknowledgment, which can lead to misunderstandings and lack of evidence in legal situations. Additionally, although the payment of the initial premium is important for the policy to take effect, it does not serve as the primary condition for enforceability on its own. Approval from the state insurance commissioner is important for regulatory compliance but does not directly impact the enforceability of the policy between the parties. Thus, having a written policy signed by both parties is the most critical factor ensuring that the agreement is legally enforceable.