

Texas Property and Casualty License Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of questions,

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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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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!

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Questions

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- 1. What are medical payments in a personal auto policy designed to cover?**
 - A. Occupant injuries while using public transport**
 - B. Injuries regardless of fault for the insured or pedestrian**
 - C. Damage to the insured's vehicle**
 - D. Legal expenses related to traffic violations**
- 2. What is the purpose of the Mortgage Clause in an insurance policy?**
 - A. To limit the coverage for personal property**
 - B. To allow the mortgagee to collect under the policy regardless of the insured's actions**
 - C. To detail the requirements for mortgage payment**
 - D. To establish penalties for non-payment**
- 3. How many hours of continuing education are required during the license cycle?**
 - A. 20 hours**
 - B. 30 hours**
 - C. 40 hours**
 - D. 50 hours**
- 4. What is the definition of liability in an insurance context?**
 - A. Responsibility of organizations for corporate governance**
 - B. Individuals or organizations being held accountable for injury or damage**
 - C. Insurance of financial assets against loss**
 - D. Coverage for acts of nature causing property loss**
- 5. What type of insurance would cover a business's lost income due to a disaster?**
 - A. General liability insurance**
 - B. Business interruption insurance**
 - C. Property damage insurance**
 - D. Workers' compensation insurance**

6. What is the primary purpose of compensatory damages?

- A. To penalize the offender**
- B. To cover legal expenses**
- C. To indemnify the injured party**
- D. To deter future wrongdoing**

7. What is one responsibility of the Texas Department of Insurance Commissioner?

- A. Develop new insurance regulations**
- B. Run the Texas Department of Insurance (TDI)**
- C. Manage all insurance claims within Texas**
- D. Oversee private insurance companies only**

8. What does PandC stand for in the insurance context?

- A. People and Community**
- B. Policy and Coverage**
- C. Property and Casualty**
- D. Premium and Claims**

9. What must an insured do to reject uninsured/underinsured motorist coverage in Texas?

- A. Notify the insurer via email**
- B. Submit a verbal rejection**
- C. Reject the coverage in writing**
- D. Ignore the coverage options**

10. Which of the following is NOT one of the elements of a legal contract?

- A. Competent parties**
- B. Mutual consent**
- C. Legal purpose**
- D. None of the above**

Answers

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

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Explanations

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1. What are medical payments in a personal auto policy designed to cover?

- A. Occupant injuries while using public transport**
- B. Injuries regardless of fault for the insured or pedestrian**
- C. Damage to the insured's vehicle**
- D. Legal expenses related to traffic violations**

Medical payments in a personal auto policy are specifically designed to cover injuries sustained by individuals involved in an accident while either occupying the insured vehicle or as pedestrians, regardless of who was at fault for the incident. This means that if a driver, passenger, or even a pedestrian is injured, medical payments coverage can help pay for their medical expenses, ensuring that necessary medical treatments are covered without the need to establish fault first. This coverage provides peace of mind to policyholders, knowing that medical expenses arising from accidents will be addressed promptly. It emphasizes the importance of caring for injured parties immediately and helps mitigate any potential disputes regarding liability. The other choices do not align with the purpose of medical payments. For instance, covering occupant injuries while using public transport is outside the realm of a personal auto policy, which focuses on private vehicle usage. Damage to the insured's vehicle pertains to collision or comprehensive coverage, not medical payments. Lastly, legal expenses related to traffic violations are not associated with medical payments; they fall under separate legal liability or legal expense coverage.

2. What is the purpose of the Mortgage Clause in an insurance policy?

- A. To limit the coverage for personal property**
- B. To allow the mortgagee to collect under the policy regardless of the insured's actions**
- C. To detail the requirements for mortgage payment**
- D. To establish penalties for non-payment**

The purpose of the Mortgage Clause in an insurance policy is to ensure that the mortgagee, or lender, has a vested interest in the insurance coverage of the property despite the actions of the insured. This clause protects the mortgagee by allowing them to collect policy proceeds in the event of a loss, such as a fire or storm, regardless of any actions or omissions by the insured that may affect their insurance coverage. By incorporating this clause, the insurance policy guarantees that the mortgagee's financial interest is safeguarded, enabling them to recover their investment. This feature is particularly valuable in cases where an insured party may inadvertently violate terms of the policy, such as failing to maintain coverage or committing fraud. The mortgage clause acts as a protective measure, ensuring that the lender can still receive compensation for the outstanding mortgage balance in the event of a loss, thereby minimizing their financial risk. The other choices do not accurately reflect the specific function of the Mortgage Clause. Limiting personal property coverage, detailing mortgage payment requirements, or establishing penalties for non-payment do not pertain to the clause's primary purpose of protecting the mortgagee's interest in the property insurance policy.

3. How many hours of continuing education are required during the license cycle?

- A. 20 hours**
- B. 30 hours**
- C. 40 hours**
- D. 50 hours**

The requirement for continuing education during the license cycle is 30 hours. This is established to ensure that license holders in the property and casualty insurance industry stay updated on current laws, trends, and practices within the field. The continuing education hours usually cover a variety of topics essential for maintaining a high standard of professionalism and competency in providing services to clients. Having 30 hours of continuing education helps agents and brokers enhance their knowledge and skills, which ultimately benefits consumers. It also reflects the industry's commitment to ethical practices and informed decision-making. Therefore, those holding a Texas Property and Casualty License must fulfill this education requirement within the specified licensing period to renew their licenses, ensuring they remain knowledgeable and compliant with any changes in regulations and industry practices.

4. What is the definition of liability in an insurance context?

- A. Responsibility of organizations for corporate governance**
- B. Individuals or organizations being held accountable for injury or damage**
- C. Insurance of financial assets against loss**
- D. Coverage for acts of nature causing property loss**

In an insurance context, liability refers to the legal responsibility that individuals or organizations have for damages or injuries they cause to another person or entity. This encompasses various situations where one party may be required to compensate another for losses stemming from their actions or negligence. Understanding liability is crucial in the realm of insurance, as it serves as the foundation for liability policies, which protect the insured against claims resulting from negligent acts or failure to act that lead to injury or property damage. This concept is particularly significant in writing policies for various types of insurance, including general liability, professional liability, and product liability. Each of these areas deals with the consequences of causing harm or damages to a third party and outlines the coverage available for legal claims arising from such incidents. Recognizing the implications of liability helps both insurers and insured parties understand the risks involved and the protections necessary in their insurance plans.

5. What type of insurance would cover a business's lost income due to a disaster?

- A. General liability insurance**
- B. Business interruption insurance**
- C. Property damage insurance**
- D. Workers' compensation insurance**

Business interruption insurance is specifically designed to cover a business's lost income that occurs due to a disaster or an event that disrupts operations. This type of insurance can provide financial support to help a business recover its profits, pay ongoing expenses, and maintain operations when they are unable to produce goods or services due to covered events like natural disasters, fires, or other unforeseen incidents. For instance, if a fire damages a business property and forces the business to close for repairs, business interruption insurance would help replace the lost income for the duration of the closure, ensuring the business can survive financially until it can resume normal operations. In contrast, general liability insurance primarily protects against legal claims and liabilities related to bodily injury or property damage caused to third parties, while property damage insurance focuses on compensating for direct physical loss or damage to tangible assets. Workers' compensation insurance provides medical benefits and wage replacement to employees who are injured on the job, which is unrelated to income loss due to business interruptions. Thus, business interruption insurance is the most relevant type of coverage for addressing lost income due to a disaster.

6. What is the primary purpose of compensatory damages?

- A. To penalize the offender**
- B. To cover legal expenses**
- C. To indemnify the injured party**
- D. To deter future wrongdoing**

The primary purpose of compensatory damages is to indemnify the injured party. This means that the amount awarded is designed to make the injured party whole again, or to restore them to the financial position they were in prior to the harm or loss experienced. Compensatory damages cover both tangible and intangible losses, including medical expenses, lost wages, property damage, and pain and suffering. The essence of compensatory damages is that they aim to compensate the victim rather than punish the wrongdoer or serve as a deterrent to others. While penalizing an offender may involve punitive damages, which serve a different purpose, compensatory damages strictly address the financial losses incurred by the victim. Legal expenses may be covered separately through different mechanisms, but compensatory damages focus on the injury itself. Lastly, while deterrence might be a consequence of awarding damages, it is not the primary intention behind compensatory damages. Thus, the focus remains on providing financial restitution to the aggrieved individual.

7. What is one responsibility of the Texas Department of Insurance Commissioner?

- A. Develop new insurance regulations**
- B. Run the Texas Department of Insurance (TDI)**
- C. Manage all insurance claims within Texas**
- D. Oversee private insurance companies only**

The role of the Texas Department of Insurance Commissioner encompasses the overall administration of the Texas Department of Insurance (TDI). This position is vital in ensuring that the agency operates effectively and fulfills its mission to regulate the insurance industry in Texas. The commissioner has the authority to implement policies, oversee the enforcement of insurance laws, and coordinate various initiatives aimed at protecting consumers and maintaining a stable insurance market. While the commissioner does have the power to influence regulations within the state, the primary responsibility is the operation and management of the TDI as a whole, which includes various departments focusing on consumer protection, financial regulation, and compliance monitoring. Managing all insurance claims within Texas is not a specific duty of the commissioner; instead, the role involves oversight of regulations governing claims handling. The commissioner's oversight does extend to private insurance companies, but this does not encompass an exclusive focus on them. Therefore, the role is broader in scope, with actual management of the department being a core responsibility.

8. What does PandC stand for in the insurance context?

- A. People and Community**
- B. Policy and Coverage**
- C. Property and Casualty**
- D. Premium and Claims**

In the insurance context, PandC refers to Property and Casualty. This term encompasses a broad range of insurance products that protect against various forms of loss or damage to property, as well as liability for accidents that may cause harm to others. Property insurance typically covers physical assets such as homes, cars, and personal belongings against risks like theft, fire, or natural disasters. Casualty insurance, on the other hand, often covers liability claims that arise from injuries or damages to third parties. Understanding this term is fundamental for anyone studying for a property and casualty insurance license, as it forms the basis of a significant portion of insurance policies and practices within the industry.

9. What must an insured do to reject uninsured/underinsured motorist coverage in Texas?

- A. Notify the insurer via email**
- B. Submit a verbal rejection**
- C. Reject the coverage in writing**
- D. Ignore the coverage options**

In Texas, an insured must formally reject uninsured/underinsured motorist coverage in writing to ensure that the decision is documented and acknowledged. This requirement is in place to protect both the insured and the insurer, ensuring that there is clear evidence of the insured's choice to forgo this coverage. When the rejection is made in writing, it helps to avoid disputes or misunderstandings in the future regarding the coverage options that were available at the time of policy selection. Other methods, such as submitting a verbal rejection or notifying the insurer through email, do not meet the legal standards for rejecting this type of coverage in Texas. Without a written rejection, there could be ambiguity about the insured's intent, potentially leading to complications when claims arise. Ignoring the coverage options is also not a valid method of rejecting the coverage, as it does not convey an active decision to decline something that was offered, making it ineffective in a legal context.

10. Which of the following is NOT one of the elements of a legal contract?

- A. Competent parties**
- B. Mutual consent**
- C. Legal purpose**
- D. None of the above**

A legal contract requires certain essential elements to be valid. The concept of "none of the above" implies that all the listed options are indeed elements of a legal contract. Competent parties refer to individuals who have the legal capacity to enter into a contract, meaning they are of legal age and mentally capable. Mutual consent, often illustrated by an offer and acceptance, is necessary to ensure that both parties agree to the terms of the contract. Legal purpose means that the contract's subject matter must be lawful; agreements for illegal activities cannot be enforced in a court of law. Since all the first three options are fundamental elements that contribute to the formation of a valid contract, the response indicating that none of them are excluded as elements of a legal contract is accurate. This reinforces the understanding that each component plays a critical role in establishing enforceability and legality in contractual agreements.

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://texaspropertyandcasualty.examzify.com>

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

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