

Texas Property and Casualty License 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. Which factor does NOT typically influence property insurance premiums?

- A. Risk assessment**
- B. Loss history**
- C. Policyholder's educational background**
- D. Underwriting guidelines**

2. What does strict liability typically apply to?

- A. Intentional torts**
- B. Contract breaches**
- C. Product defect claims**
- D. Punitive damages**

3. What is a "proof of loss" in the context of insurance?

- A. A summary of the policyholder's coverage**
- B. A formal statement made by the insured detailing the loss**
- C. An agreement for future coverage**
- D. A notification of policy renewal**

4. What does the Other Insurance Clause in a personal auto policy state?

- A. Coverage is void if another insurance exists**
- B. All vehicles are covered under the same policy**
- C. Insurance provided for a non-owned vehicle is excess to other insurance**
- D. Insurance is not applicable for vehicles rented by the insured**

5. What does professional liability insurance provide protection against?

- A. Claims of negligence or misconduct**
- B. Theft of physical assets**
- C. Natural disasters affecting business**
- D. Employee related claims**

6. What is the principle of indemnity in insurance?

- A. To provide coverage for catastrophic losses only**
- B. To compensate the insured for loss, restoring them to their financial position before the loss**
- C. To prevent overinsurance of high-value properties**
- D. To limit the liability of the insurer**

7. What is the purpose of business liability insurance?

- A. To cover personal damages of employees**
- B. To protect against legal claims from accidents or injuries**
- C. To insure business properties from theft**
- D. To cover health expenses of business owners**

8. What type of information would NOT be considered material misrepresentation?

- A. Information that is entirely false**
- B. Information that is true but misleading**
- C. Information that does not affect the insurer's decision**
- D. All types of false information**

9. 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**

10. What does property damage include?

- A. Medical expenses due to injury**
- B. Damages including loss of use**
- C. Compensation for emotional distress**
- D. Legal fees incurred during recovery**

Answers

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

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Explanations

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1. Which factor does NOT typically influence property insurance premiums?

- A. Risk assessment**
- B. Loss history**
- C. Policyholder's educational background**
- D. Underwriting guidelines**

In property insurance, premiums are typically influenced by several key factors that directly relate to the insured property and the risks involved. Risk assessment considers the likelihood of a claim being made based on various characteristics of the insured property, such as its location, construction type, and risk exposures. Loss history looks at the past claims associated with a property or a policyholder to determine the potential future risk. Underwriting guidelines are the criteria used by insurers to evaluate the insurability of a property and the terms of the insurance policy, which includes determining premiums based on the aforementioned factors. The policyholder's educational background does not typically affect property insurance premiums. While an individual's education could indirectly influence their financial stability or ability to manage risks, it is not a standard factor considered during the underwriting process or in premium calculations. Underwriters primarily focus on concrete data such as property characteristics and claim history, rather than subjective factors like education.

2. What does strict liability typically apply to?

- A. Intentional torts**
- B. Contract breaches**
- C. Product defect claims**
- D. Punitive damages**

Strict liability typically applies to product defect claims because this legal concept holds manufacturers and sellers responsible for defective products that cause injury or harm, regardless of whether there was any intent or negligence involved in the creation or selling of the product. In cases of strict liability, the injured party does not need to prove that the manufacturer or seller acted with fault; it is sufficient to show that the product was defective and that this defect led to the injury. This principle is rooted in public policy aimed at ensuring consumer safety and holding businesses accountable for the products they market. It encourages companies to maintain high safety standards in their manufacturing processes. Strict liability is particularly relevant in cases involving hazardous activities or inherently dangerous products, reinforcing the importance of consumer protection. The other choices involve concepts that do not align with strict liability's application. Intentional torts involve deliberate wrongdoing, while contract breaches pertain to failures to meet contractual obligations, both requiring proof of intent or negligence. Punitive damages are a form of compensation aimed at punishing wrongful conduct rather than a type of liability itself.

3. What is a "proof of loss" in the context of insurance?

- A. A summary of the policyholder's coverage
- B. A formal statement made by the insured detailing the loss**
- C. An agreement for future coverage
- D. A notification of policy renewal

A "proof of loss" is a formal statement made by the insured detailing the loss, including the specifics of what happened, the items that were lost or damaged, and the amount being claimed. This document is critical in the claims process as it provides the insurance company with the necessary information to evaluate the claim. The proof of loss helps establish the validity of the claim and supports the insured's request for compensation or coverage under the policy. The importance of this document lies in its role in resolving claims efficiently. By requiring the policyholder to submit a comprehensive account of the incident and losses, insurance companies can accurately assess the circumstances and determine their liability. Hence, the formal nature of the proof of loss ensures that claims are processed based on structured and clear information.

4. What does the Other Insurance Clause in a personal auto policy state?

- A. Coverage is void if another insurance exists
- B. All vehicles are covered under the same policy
- C. Insurance provided for a non-owned vehicle is excess to other insurance**
- D. Insurance is not applicable for vehicles rented by the insured

The Other Insurance Clause in a personal auto policy specifically states that when covering a non-owned vehicle, the insurance provided is considered excess to any other insurance that may apply. This means that if the insured has another policy that offers coverage for the same vehicle, the personal auto policy will only come into play after the limits of the other insurance have been exhausted. This clause is designed to prevent overlapping coverage and ensure that the insured is not over-compensated in the event of a claim. This principle helps to clarify how claims are handled when multiple insurance policies might apply, ensuring that the primary insurance takes the initial responsibility for a claim. Therefore, the policy covers additional costs only after any other applicable insurance has been used up, providing a systematic approach to resolving claims involving multiple insurers.

5. What does professional liability insurance provide protection against?

- A. Claims of negligence or misconduct**
- B. Theft of physical assets**
- C. Natural disasters affecting business**
- D. Employee related claims**

Professional liability insurance primarily offers protection against claims of negligence or misconduct that arise from the professional services provided by individuals or businesses. This type of insurance is essential for professionals such as doctors, lawyers, accountants, and consultants, as it covers legal costs and settlements related to lawsuits claiming that the professional failed to perform their duties competently, leading to client losses or damages. This insurance is tailored to address issues such as errors and omissions, which are specific to the services rendered rather than the physical assets or property owned by the business. Consequently, it does not cover theft of physical assets, natural disasters affecting business operations, or claims related to employees, which fall outside the scope of professional liability. Each of these areas would typically be addressed by different types of insurance, such as property insurance or employment practices liability insurance.

6. What is the principle of indemnity in insurance?

- A. To provide coverage for catastrophic losses only**
- B. To compensate the insured for loss, restoring them to their financial position before the loss**
- C. To prevent overinsurance of high-value properties**
- D. To limit the liability of the insurer**

The principle of indemnity in insurance is fundamentally about restoring the insured to their pre-loss financial position after a loss occurs. This principle aims to ensure that the insured does not profit from a loss, but instead is compensated for the exact amount of their loss or damage. It reflects the idea that insurance is intended to provide a form of financial recovery rather than a financial gain. This principle helps maintain fairness within the insurance system, as it prevents individuals from claiming more than what they have lost, avoiding situations where a policyholder might be tempted to exaggerate losses or engage in fraudulent behavior. It also reinforces that insurance is not a vehicle for wealth accumulation or gain, but rather a means of protection against financial hardships resulting from unforeseen events. In the context of the other options, providing coverage for catastrophic losses (the first choice) is too narrow and doesn't encapsulate the broader concept of indemnity. Preventing overinsurance of high-value properties (the third choice) is a related topic concerning valuation and policy limits, but does not directly define indemnity itself. Limiting the liability of the insurer (the fourth choice) is more about the insurer's obligations and responsibilities rather than the effect on the insured and their losses. Therefore, the chosen answer accurately captures the essence

7. What is the purpose of business liability insurance?

- A. To cover personal damages of employees
- B. To protect against legal claims from accidents or injuries**
- C. To insure business properties from theft
- D. To cover health expenses of business owners

Business liability insurance is designed to protect a business from potential legal claims arising from accidents, injuries, or damages that occur during the course of business operations. This type of insurance covers legal defense costs and any settlements or judgments that the business may be required to pay if it is found liable for causing harm to a third party. By providing this protection, business liability insurance helps safeguard the financial health of the business, ensuring that it can continue to operate despite the potentially high costs associated with legal claims. This type of coverage is crucial for maintaining confidence among clients, consumers, and stakeholders, as it demonstrates that the business is prepared to manage risks associated with its activities. The other options focus on different areas of coverage that do not specifically address the intent of liability insurance. For example, covering personal damages of employees pertains more to workers' compensation, while insuring business properties from theft relates to property insurance. Covering health expenses of business owners involves health insurance, which is not within the scope of business liability insurance.

8. What type of information would NOT be considered material misrepresentation?

- A. Information that is entirely false
- B. Information that is true but misleading
- C. Information that does not affect the insurer's decision**
- D. All types of false information

Material misrepresentation refers to false statements or omitting facts that could influence an insurer's decision to provide coverage or determine the terms of a policy. Therefore, a piece of information that does not affect the insurer's decision is not considered a material misrepresentation. Materiality in insurance means that the information in question could impact the insurer's assessment of risk or their underwriting processes. If information is true, misleading, entirely false, or even a blatant misrepresentation but does not influence the insurer's decisions, it would not be deemed material. This distinguishes it from scenarios where the information presented directly affects the insurer's understanding of risk, leading to changes in coverage terms or denial of coverage altogether. Thus, information that does not have an impact on the insurer's choice is not a concern for material misrepresentation, reinforcing the understanding that materiality hinges on the relevance and influence of the misrepresented information regarding the insurer's operational decisions.

9. 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.

10. What does property damage include?

- A. Medical expenses due to injury
- B. Damages including loss of use**
- C. Compensation for emotional distress
- D. Legal fees incurred during recovery

Property damage encompasses the physical harm or loss to tangible property. This can include not only the cost to repair or replace damaged property but also the loss of use that results from the property being damaged. For instance, if a car is involved in an accident and cannot be used while it is being repaired, the loss of the car's use until it's back on the road is considered a part of property damage. This is significant as it goes beyond just the physical restoration of property and acknowledges the impact on the owner's ability to utilize their property during the period it is out of commission. Other options, such as medical expenses due to injury, do not fall under property damage since they pertain to bodily injury claims. Compensation for emotional distress also relates to personal injury laws rather than property loss. Legal fees incurred during recovery, while potentially relevant in a broader context of financial loss, are not classified as property damage itself. Each of these alternatives addresses different aspects that relate to liability and claims in insurance but do not specifically pertain to damage to property.

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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