

TEXAS PROPERTY AND CASUALTY LICENSE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



**SAMPLE STUDY GUIDE
WITH LIMITED QUESTIONS**

**VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE**

<https://texaspropertyandcasualty.examzify.com>



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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. In insurance terms, what is the role of Primary insurance?**
 - A. To pay only after all other insurance policies have been exhausted
 - B. To pay the insured directly for the total loss amount
 - C. To cover the initial claim amounts up to the policy limit
 - D. To pay for any damages only after deductibles are met
- 2. 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
- 3. Which of the following is a type of supplementary payment under a personal auto policy?**
 - A. Bonds for appeal and bail
 - B. Discounts for safe driving
 - C. Coverage for rental cars
 - D. Reimbursement for gas expenses
- 4. What is the main function of the Fair Credit Reporting Act?**
 - A. Improve consumer access to credit
 - B. Protect consumers from adverse actions based on credit reporting
 - C. Facilitate faster credit approvals
 - D. Encourage financial literacy programs
- 5. How do actuaries utilize the law of large numbers in insurance?**
 - A. To reduce the overall risk
 - B. To estimate claims more accurately
 - C. To increase policy premiums
 - D. To limit payouts
- 6. What is meant by "moral hazard" in insurance terms?**
 - A. Lower risk due to honest behavior
 - B. Increased risk due to the insured's dishonest behavior
 - C. Risk due to natural disasters
 - D. Risk related solely to property damage

- 7. How is the term "unoccupied" defined in an insurance context?**
- A. A property with no people present but contents still exist
 - B. A property completely devoid of both people and contents
 - C. A building that is temporarily not in use
 - D. A property that has tenants temporarily away
- 8. Which type of risk does insurance specifically cover?**
- A. Speculative risk
 - B. Pure risk only
 - C. Investment risk
 - D. Comprehensive risk
- 9. What is the standard duration of most insurance policies?**
- A. Six months
 - B. One year
 - C. Two years
 - D. Indefinite
- 10. What is the maximum amount of coverage for customized equipment under collision coverage unless endorsed?**
- A. \$1,000
 - B. \$2,000
 - C. \$1,500
 - D. \$750

Answers

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

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Explanations

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1. In insurance terms, what is the role of Primary insurance?

- A. To pay only after all other insurance policies have been exhausted
- B. To pay the insured directly for the total loss amount
- C. To cover the initial claim amounts up to the policy limit**
- D. To pay for any damages only after deductibles are met

Primary insurance refers to the type of insurance coverage that responds first to a loss when there is more than one policy in effect. This means that primary insurance covers the initial claim amounts up to the policy limit specified in the insurance contract. In the event of a claim, the primary insurer will handle the coverage first, providing benefits to the policyholder without the need for any other policies to be triggered before it pays out. This is significantly important in complex insurance situations where multiple policies could potentially apply. The existence of primary insurance ensures that the insured will have coverage that facilitates immediate financial support for losses within agreed limits, streamlining the claims process for the insured party. In contrast, other options involve additional conditions or different mechanisms of coverage that do not accurately represent the primary function of primary insurance. For instance, waiting for other insurance to be exhausted, or only covering costs after a deductible, or paying the total loss amount directly, are characteristics of secondary or excess insurance policies rather than primary insurance.

2. 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.

3. Which of the following is a type of supplementary payment under a personal auto policy?

- A. Bonds for appeal and bail**
- B. Discounts for safe driving
- C. Coverage for rental cars
- D. Reimbursement for gas expenses

In the context of a personal auto policy, supplementary payments are additional benefits provided alongside the primary coverage, often designed to help policyholders manage costs that may arise in the event of a claim. Bonds for appeal and bail represent specific supplementary payments because they assist in covering the costs associated with legal obligations that might occur due to an accident or incident involving the insured vehicle. These payments are particularly useful in situations where the policyholder may need to secure a bail bond in a criminal case related to a vehicular accident or to appeal a court decision. The insurance policy helps mitigate financial risks connected with legal proceedings, which is an important aspect of providing comprehensive support to the policyholder during difficult times. In contrast, the other options listed do not represent supplementary payments. Safe driving discounts are incentives that reduce premiums, not payments related to a claim. Coverage for rental cars may be part of the policy's standard provisions but isn't classified under supplementary payments. Similarly, reimbursement for gas expenses is not a typical provision in personal auto policies and does not align with the concept of supplementary payments. Thus, bonds for appeal and bail correctly fit the definition of supplementary payments.

4. What is the main function of the Fair Credit Reporting Act?

- A. Improve consumer access to credit
- B. Protect consumers from adverse actions based on credit reporting**
- C. Facilitate faster credit approvals
- D. Encourage financial literacy programs

The main function of the Fair Credit Reporting Act (FCRA) is to protect consumers from adverse actions based on credit reporting. This federal law ensures that consumers have the right to know what information is contained in their credit reports and provides them with the ability to dispute inaccuracies. By imposing regulations on how credit information is collected, shared, and used, the FCRA aims to prevent discrimination against consumers based on the information in their credit reports. This ensures that no individual is unfairly penalized due to erroneous or misleading credit information. While improving access to credit, facilitating faster approvals, and promoting financial literacy are important within the broader financial ecosystem, they are not the primary focus of the FCRA. The law specifically emphasizes consumer protection and the accuracy of credit reports, ensuring that consumers can rely on fair and correct credit information in financial dealings.

5. How do actuaries utilize the law of large numbers in insurance?

- A. To reduce the overall risk
- B. To estimate claims more accurately**
- C. To increase policy premiums
- D. To limit payouts

Actuaries use the law of large numbers to estimate claims more accurately by analyzing large sets of data over time. This statistical principle indicates that as the size of the sample increases, the average of the sample will get closer to the expected value of the population. In the context of insurance, this means that with a larger number of policies, actuaries can predict future claims with greater reliability. For instance, if an insurance company has a large pool of policyholders, actuaries can calculate the likelihood of claims occurring, assess the average costs, and set premiums accordingly. The law of large numbers helps them smooth out the variability and randomness of claims that might occur in a smaller sample, thereby allowing for more precise forecasting and financial planning. This is crucial for ensuring that the insurance company remains solvent and can cover all expected claims, ultimately enabling more accurate pricing of policies. While reducing overall risk, increasing policy premiums, and limiting payouts are all related to insurance practices, they are not direct applications of the law of large numbers. Instead, the core function of the law in this context revolves around enhancing the accuracy of loss predictions based on larger data sets.

6. What is meant by "moral hazard" in insurance terms?

- A. Lower risk due to honest behavior
- B. Increased risk due to the insured's dishonest behavior**
- C. Risk due to natural disasters
- D. Risk related solely to property damage

Moral hazard refers to an increased risk that arises due to the behavior of the insured individual, specifically when that behavior reflects dishonest actions or a lack of concern for loss prevention after obtaining insurance coverage. This concept explains that when individuals know they are insured, they may take greater risks because they believe they are protected from the consequences of their actions. For instance, if someone has car insurance, they might be less careful about locking their vehicle or even avoiding reckless driving, believing that the insurer will compensate them for any loss. This change in behavior is what creates the moral hazard—essentially, the insured party's actions contribute to a higher likelihood of loss than would exist otherwise. This understanding is critical in the insurance industry as it informs underwriting practices and premium pricing. Insurers take into account the potential for moral hazard when assessing risk, which could lead to higher premiums and stricter policies to mitigate this behavior. The other options refer to various risk factors that do not capture the essence of moral hazard as influenced by the insured's behavior.

7. How is the term "unoccupied" defined in an insurance context?

- A. A property with no people present but contents still exist
- B. A property completely devoid of both people and contents
- C. A building that is temporarily not in use
- D. A property that has tenants temporarily away

The definition of "unoccupied" in an insurance context refers to a property that may not have any people present, but the contents still exist within the property. This definition is important because it establishes criteria for how insurance policies may respond to claims related to the property. In many insurance policies, unoccupied properties can still be covered because while there are no occupants, the belongings and assets may still pose risks and have value. The lack of occupancy does not diminish the importance of protecting these contents against hazards such as theft, vandalism, or risks of property damage. This perspective also helps insurers assess potential risks differently than they would for a property that is completely vacant, where the absence of both people and contents may imply a higher risk of loss or damage without oversight or security. Understanding this subtlety in terminology can significantly influence coverage options and premium calculations for property owners. The other responses typically imply varying levels of absence that may not align with how insurers interpret "unoccupied," focusing instead on complete voids or temporary statuses that do not fully capture the implications of having contents present, even when people are not.

8. Which type of risk does insurance specifically cover?

- A. Speculative risk
- B. Pure risk only
- C. Investment risk
- D. Comprehensive risk

Insurance specifically covers pure risk, which refers to situations that can only result in loss or no loss, such as theft, fire, natural disasters, or accidents. These events are beyond the control of the insured individual or entity and do not involve any possibility of financial gain; they are primarily associated with unpredictable occurrences that can lead to financial hardship. In contrast, speculative risk involves the chance of loss or gain, commonly encountered in business and investments, where outcomes can lead to profit or loss—this type of risk is not insurable. Investment risk pertains specifically to financial investments and their returns, which are subject to market fluctuations and are outside the scope of traditional insurance policies. Comprehensive risk is not a standard insurance terminology and usually does not refer to a specific type of risk covered by insurance. Therefore, the focus of insurance on pure risk is why this answer is accurate and essential for understanding the foundational principles of risk management in the context of insurance.

9. What is the standard duration of most insurance policies?

- A. Six months
- B. One year
- C. Two years
- D. Indefinite

Most insurance policies typically have a standard duration of one year. This timeframe is common in both personal lines (such as auto and homeowners insurance) and commercial policies. A one-year term allows insurers to reassess the risk and premium annually, reflecting any changes in the insured's circumstances or broader market conditions. Shorter durations, such as six months, are sometimes offered, but they are less common for standard coverage and are often utilized for specific situations. Two-year policies may exist but are not considered standard in the industry. An indefinite duration is not applicable in the context of insurance policies; all policies have a predetermined time frame for coverage. Thus, one year is the foundational timeframe for evaluating insurer obligations and assessing risks.

10. What is the maximum amount of coverage for customized equipment under collision coverage unless endorsed?

- A. \$1,000
- B. \$2,000
- C. \$1,500**
- D. \$750

The maximum amount of coverage for customized equipment under collision coverage, unless specifically endorsed, is \$1,500. This limit is set to protect the insured from potential losses involving modifications or enhancements made to a vehicle, such as custom paint jobs, sound systems, or specialized equipment. Under standard auto insurance policies, collision coverage typically protects against damage to the insured vehicle resulting from a collision, but it usually has limitations when it comes to customized parts unless the policy is specifically endorsed to increase the coverage limits. In this case, knowing that the maximum standard limit is \$1,500 helps you understand the coverage structure and how to approach additional endorsements, should you desire protection beyond that limit.

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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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