

# Texas Statutes and Rules Pertinent to Property and Casualty Insurance Practice Test (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. In the described benefit schedule, which benefit may not exceed 100% of the employee's wages while off work due to injury?**
  - A. Death benefit**
  - B. Temporary income benefit**
  - C. Impairment income benefits**
  - D. Supplemental income benefit**
  
- 2. Supplemental Income Benefits are payable after impairment income benefits expire if which criterion is met?**
  - A. They have not sought any work since injury.**
  - B. They are earning more than 80% of their average weekly wage.**
  - C. Their impairment rating is 15% or more from the compensable injury.**
  - D. They have returned to work at full pre-injury wages.**
  
- 3. Is it permissible for an insurer to refuse to renew a policy solely because the insured is elderly?**
  - A. Yes**
  - B. No**
  - C. Only for commercial policies**
  - D. It depends on the insurer**
  
- 4. Under the Texas P&C Guaranty Association law, unearned premiums are covered up to what amount?**
  - A. \$25,000**
  - B. \$10,000**
  - C. \$50,000**
  - D. \$100,000**

- 5. Which term describes a voluntary, unincorporated association of admitted insurers whose members are authorized to provide a particular form of insurance to the public, with renewals due every 3 years?**
- A. Joint Underwriting Association (JUA)**
  - B. Surplus Lines Insurance**
  - C. Nonadmitted Insurance**
  - D. Surplus Lines Agent**
- 6. Total and permanent loss of use of a body part is treated as what?**
- A. Not covered.**
  - B. A lesser impairment.**
  - C. Not specified.**
  - D. The same as loss of that body part.**
- 7. Which injury qualifies for Vocational Rehabilitation benefits?**
- A. Total and permanent loss of eyesight in both eyes.**
  - B. Loss of one ear.**
  - C. Temporary back strain.**
  - D. Minor ankle sprain.**
- 8. If a filed form or endorsement is not disapproved within 60 days, what is its status?**
- A. Pending or undecided**
  - B. Approved**
  - C. Disapproved**
  - D. Denied**
- 9. Who funds the Texas Property and Casualty Guaranty Association?**
- A. The insured**
  - B. Member insurers**
  - C. The general public**
  - D. The state treasury**

**10. Subrogation requires net recovery to reimburse the insurer, with excess as an advance against future benefits. Which term describes this mechanism?**

- A. General Provisions**
- B. Subrogation**
- C. Waiting Period**
- D. Average Weekly Wage**

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## **Answers**

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

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## **Explanations**

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**1. In the described benefit schedule, which benefit may not exceed 100% of the employee's wages while off work due to injury?**

**A. Death benefit**

**B. Temporary income benefit**

**C. Impairment income benefits**

**D. Supplemental income benefit**

Temporary income benefits are the wage-replacement payments made while an employee is out of work due to a work-related injury. These benefits are intended to replace lost earnings but are capped at the worker's pre-injury wages, so they cannot exceed 100% of what the employee was earning. Other benefits serve different purposes: death benefits provide for survivors, impairment income benefits depend on a formal impairment rating, and supplemental income benefits top up earnings under certain conditions rather than serving as the standard wage replacement during disability. Thus, the one that may not exceed 100% of wages while off work is the temporary income benefit.

**2. Supplemental Income Benefits are payable after impairment income benefits expire if which criterion is met?**

**A. They have not sought any work since injury.**

**B. They are earning more than 80% of their average weekly wage.**

**C. Their impairment rating is 15% or more from the compensable injury.**

**D. They have returned to work at full pre-injury wages.**

Supplemental Income Benefits are meant for workers who have a permanent impairment from the compensable injury and who can't earn near their pre-injury wages after impairment income benefits end. The essential condition that makes SIBs payable is having an impairment rating of 15% or more. This threshold shows the injury has caused a measurable permanent impairment, which is what SIBs are designed to compensate for. If the impairment rating is 15% or higher, SIBs may be payable, provided other requirements about earnings and job capacity are also met. Earning more than 80% of the pre-injury wage or returning to full pre-injury wages would typically stop SIBs from being payable, while not seeking work isn't the triggering factor.

**3. Is it permissible for an insurer to refuse to renew a policy solely because the insured is elderly?**

**A. Yes**

**B. No**

**C. Only for commercial policies**

**D. It depends on the insurer**

Age cannot be the sole basis for refusing to renew a policy. Insurers may consider real risk factors and underwrite or price based on those, but using being elderly as the only reason to nonrenew is treated as unfair discrimination under Texas insurance law. The insurer may nonrenew for legitimate, non-age-related reasons, or adjust terms based on risk with other appropriate factors, but simply targeting an elderly insured for nonrenewal isn't permissible.

**4. Under the Texas P&C Guaranty Association law, unearned premiums are covered up to what amount?**

- A. \$25,000**
- B. \$10,000**
- C. \$50,000**
- D. \$100,000**

When a Texas property and casualty insurer becomes insolvent, the Guaranty Association steps in to protect policyholders by covering the unearned premium—the portion of the premium paid for time the policy hasn't yet been in force. The amount it will pay for that unearned premium is limited to \$25,000 per policy. This cap helps ensure the fund can assist many insureds without being drained, while still returning funds for coverage that was paid for but not yet provided. The other dollar amounts in the choices exceed or fall short of the statutory limit, so they don't apply.

**5. Which term describes a voluntary, unincorporated association of admitted insurers whose members are authorized to provide a particular form of insurance to the public, with renewals due every 3 years?**

- A. Joint Underwriting Association (JUA)**
- B. Surplus Lines Insurance**
- C. Nonadmitted Insurance**
- D. Surplus Lines Agent**

A Joint Underwriting Association describes a voluntary, unincorporated group of admitted insurers that pool together to provide a specific form of insurance to the public. Each member is licensed to write that line, and the association shares the underwriting risk among its members. Policies are issued through the JUA, and renewals or reauthorizations of the association's terms typically occur on a set cycle—in this case, every three years—ensuring the arrangement remains current and properly managed by the participating insurers. This concept is distinct from surplus lines arrangements, where coverage is placed with nonadmitted carriers when admitted carriers won't provide the coverage. Surplus lines involves different rules and a surplus lines agent who places the risk, not a voluntary association of admitted insurers.

**6. Total and permanent loss of use of a body part is treated as what?**

- A. Not covered.**
- B. A lesser impairment.**
- C. Not specified.**
- D. The same as loss of that body part.**

When a person experiences total and permanent loss of use of a body part, the policy treats it as if that body part were lost. The indemnity or benefit is the same as for an actual loss of the part, because the function of that part is completely gone and will not return. This reflects how "loss of use" is valued in many property and casualty policies: functional loss equals physical loss for purposes of compensation. For example, total loss of use of an arm is paid as if the arm were lost.

**7. Which injury qualifies for Vocational Rehabilitation benefits?**

- A. Total and permanent loss of eyesight in both eyes.**
- B. Loss of one ear.**
- C. Temporary back strain.**
- D. Minor ankle sprain.**

Vocational Rehabilitation benefits are available when a worker has a permanent impairment that prevents returning to their previous job, and the program can help with retraining or job placement tailored to the impairment. A total and permanent loss of eyesight in both eyes is a complete, lifelong disability that makes most employment tasks unfeasible, so it clearly qualifies for VR services. The other injuries described are either temporary or not a total loss of function, so they generally do not trigger VR benefits: losing one ear is a permanent impairment but not a complete loss of work capability; a temporary back strain and a minor ankle sprain are temporary conditions without lasting work-disabling impact.

**8. If a filed form or endorsement is not disapproved within 60 days, what is its status?**

- A. Pending or undecided**
- B. Approved**
- C. Disapproved**
- D. Denied**

In Texas, when a form or endorsement is filed with the Department of Insurance, it is subject to review, but if the department does not disapprove it within 60 days, the form is deemed approved by operation of law. This means the insurer may use the form as approved starting after that 60-day period without further action. If the form is not disapproved within 60 days, it is not considered still pending or undecided, and it is not marked as denied or disapproved.

**9. Who funds the Texas Property and Casualty Guaranty Association?**

- A. The insured**
- B. Member insurers**
- C. The general public**
- D. The state treasury**

The funding comes from member insurers. These are the insurers that belong to the Texas Property and Casualty Guaranty Association and pay assessments to support the association. When an insurer in the association becomes insolvent, its obligations are paid from these pooled funds. This mechanism means the costs are borne by member insurers (often passed through to premiums), not directly by the insureds, the general public, or the state treasury.

**10. Subrogation requires net recovery to reimburse the insurer, with excess as an advance against future benefits. Which term describes this mechanism?**

**A. General Provisions**

**B. Subrogation**

**C. Waiting Period**

**D. Average Weekly Wage**

Subrogation is the process that fits this description. After the insurer pays a claim, it steps into the insured's position and pursues recovery from the party responsible for the loss. The net recovery goes back to reimburse the insurer for the claim paid. If the recovery amount is higher than what the insurer paid, the excess can be treated as an advance against future benefits—effectively reducing future obligations or benefits owed to the insured. This mechanism prevents double recovery and keeps the insured from being paid twice for the same loss. The other terms refer to unrelated concepts: General Provisions is a broad contractual section, Waiting Period is a time before benefits begin, and Average Weekly Wage relates to wage calculations in some workers' compensation contexts.

## 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://txstatutesrulespropertycasualty.examzify.com>**

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

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