

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. What is the minimum amount that must be offered on the Texas Liability Insurance Card?**
 - A. \$1,000**
 - B. \$1,500**
 - C. \$2,000**
 - D. \$2,500**

- 2. The FAIR Plan Association Governing Committee is composed of how many voting members appointed by the Commissioner?**
 - A. Nine**
 - B. Seven**
 - C. Eleven**
 - D. Fifteen**

- 3. The intoxication definition excludes prescriptions from a doctor. Which item is excluded?**
 - A. Alcoholic beverage**
 - B. Prescriptions from a doctor**
 - C. Controlled substances**
 - D. Abusable glue**

- 4. How often may the commission require an employee to undergo a medical examination?**
 - A. Every 1 year**
 - B. Every 90 days**
 - C. Every 180 days**
 - D. Only if requested**

- 5. Under Texas law, what is the minimum number of days' notice an insurer must provide before canceling a liability policy before its expiration date?**
 - A. 10 days**
 - B. 30 days**
 - C. 60 days**
 - D. 90 days**

- 6. If the employee fails to notify timely, liability is not relieved unless which conditions exist?**
- A. Employer or insurer has knowledge, there is a good reason for not notifying, and insurer does not contest the claim**
 - B. Employer has knowledge only**
 - C. Good reason only**
 - D. The insurer does not contest the claim only**
- 7. 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**
- 8. Under the Financial Responsibility Law, what is the penalty for the 2nd offense?**
- A. License and registration suspended until insurance is in place for 2 years**
 - B. Fine of \$350 to \$500**
 - C. Suspension for 1 year**
 - D. Community service only**
- 9. For a commercial auto policy, what is the minimum notice period before expiration required by the insurer?**
- A. 30 days**
 - B. 60 days**
 - C. 45 days**
 - D. 90 days**
- 10. Who determines whether a city or county is a Catastrophe Area?**
- A. The Commissioner of Insurance**
 - B. The Governor**
 - C. The Legislative Budget Board**
 - D. The Texas Department of Insurance**

Answers

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

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Explanations

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1. What is the minimum amount that must be offered on the Texas Liability Insurance Card?

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

In Texas, the proof of liability coverage used on the Texas Liability Insurance Card must display the minimum amount of liability coverage that the insurer offers to the insured. The minimum amount that must appear on the card is two thousand five hundred dollars. This ensures there is a baseline level of liability protection evidenced whenever someone is driving and required to show proof of insurance. Lower amounts would not meet the regulatory requirement, which is why the other options aren't acceptable. Higher limits may also be shown if the policy provides them, but the statutory minimum shown on the card is two thousand five hundred.

2. The FAIR Plan Association Governing Committee is composed of how many voting members appointed by the Commissioner?

- A. Nine**
- B. Seven**
- C. Eleven**
- D. Fifteen**

The number of voting members on the FAIR Plan Association Governing Committee is eleven. This is set by the Texas Insurance Code provisions that establish and govern the FAIR Plan, specifying that the Commissioner appoint eleven individuals to serve as voting members. Having a fixed eleven-member board provides balanced representation while keeping decision-making practical. The other numbers don't align with the statutory requirement, so they aren't correct.

3. The intoxication definition excludes prescriptions from a doctor. Which item is excluded?

- A. Alcoholic beverage**
- B. Prescriptions from a doctor**
- C. Controlled substances**
- D. Abusable glue**

Intoxication in this context means impairment caused by substances that affect judgment or ability. The definition is built to include things that clearly impair—alcohol, illegal or misused drugs, and inhalants—while excluding medications taken exactly as prescribed by a doctor. So the item that's excluded is prescriptions from a doctor. When someone takes a medication as directed, it isn't considered intoxication under this definition. The other options—alcoholic beverages, controlled substances, and abusable glue—can cause impairment and are included in the intoxication definition.

4. How often may the commission require an employee to undergo a medical examination?

- A. Every 1 year
- B. Every 90 days
- C. Every 180 days**
- D. Only if requested

The commission's authority to require a medical examination is limited by a maximum interval. It may require an employee to undergo a medical examination no more often than every 180 days, i.e., about every six months. This cap ensures ongoing health monitoring when needed while avoiding overly frequent intrusions. So the best answer reflects the six-month maximum frequency. The other options either imply a more frequent requirement (every 90 days) or a less frequent one (every year) and do not capture the specified upper limit.

5. Under Texas law, what is the minimum number of days' notice an insurer must provide before canceling a liability policy before its expiration date?

- A. 10 days
- B. 30 days**
- C. 60 days
- D. 90 days

In Texas, when an insurer cancels a liability policy before it expires, it must give at least 30 days' written notice. This minimum notice period helps the insured secure replacement coverage and avoids an uncovered lapse. The notice must state the cancellation date and reason, and be delivered per state rules. The other options don't meet the statutory minimum: 10 days is too short for standard cancellation, while 60 or 90 days go beyond what the law requires.

6. If the employee fails to notify timely, liability is not relieved unless which conditions exist?

- A. Employer or insurer has knowledge, there is a good reason for not notifying, and insurer does not contest the claim**
- B. Employer has knowledge only
- C. Good reason only
- D. The insurer does not contest the claim only

Timely notice to the employer or the workers' comp insurer is required, but late notice won't relieve liability if three things happen together: someone with knowledge of the injury or claim exists (the employer or the insurer already knows about it), there is a legitimate reason for not notifying sooner, and the insurer does not contest the claim. When all three are present, the late notice doesn't bar the claim because there's no prejudice to the insurer and the delay isn't deemed unjustified. If any of these elements isn't present—no knowledge by the employer or insurer, no good reason for the delay, or the insurer contests the claim—the late notice can provide a basis to relieve liability.

7. 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.

8. Under the Financial Responsibility Law, what is the penalty for the 2nd offense?

- A. License and registration suspended until insurance is in place for 2 years**
- B. Fine of \$350 to \$500
- C. Suspension for 1 year
- D. Community service only

The key idea is that the Financial Responsibility Law uses license and vehicle registration suspensions to enforce having valid auto insurance, and this penalty becomes much harsher on a second offense. For a second uninsured offense, the penalty is that your license and registration are suspended until you provide proof of insurance, typically lasting up to two years. This mechanism keeps you from driving legally until you regain financial responsibility, which is the most effective way to deter repeat violations. Monetary fines or a fixed one-year suspension don't capture the enforcement approach used for a second offense, and community service alone isn't what the law imposes in this scenario.

9. For a commercial auto policy, what is the minimum notice period before expiration required by the insurer?

- A. 30 days
- B. 60 days**
- C. 45 days
- D. 90 days

In Texas, the insurer must give written nonrenewal notice at least 60 days before a policy expires. This 60-day minimum is the time allowed for the insured to arrange new coverage and manage any risk considerations before the policy ends. Providing more than 60 days is permissible, but anything shorter would not meet the requirement. The same 60-day standard applies to commercial auto policies, aligning with the general rule for renewal or nonrenewal notices across property and casualty lines.

10. Who determines whether a city or county is a Catastrophe Area?

A. The Commissioner of Insurance

B. The Governor

C. The Legislative Budget Board

D. The Texas Department of Insurance

Catastrophe Area designations are a regulatory tool used after a major disaster, and the authority to determine which cities or counties fall into that category rests with the Commissioner of Insurance. This official, who heads the Texas Department of Insurance, can designate an area as a catastrophe area to enable certain regulatory actions related to insurance practices following a catastrophe. The Governor doesn't make this designation, the Legislative Budget Board isn't responsible for it, and while the Department of Insurance administers related rules, the power to designate lies with the Commissioner.

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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://txstatutesrulespropertycasualty.examzify.com>

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

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