

USAA LICENSING PRACTICE EXAM (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	15

SAMPLE

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

SAMPLE

- 1. Which of the following is true about the authority to issue endorsements?**
 - A. Only licensed agents can issue endorsements
 - B. Underwriters have the sole authority to issue endorsements
 - C. All insurance personnel can issue endorsements
 - D. Policyholders can issue their own endorsements
- 2. How is an accident defined in an insurance context?**
 - A. An event causing harm with intent
 - B. A sudden and unforeseen event at a fixed time and place
 - C. A repeated event leading to gradual damage
 - D. An unpredictable event with no discernible cause
- 3. What type of risk involves both the chance of gain and loss and is typically not insurable?**
 - A. Pure Risk
 - B. Speculative Risk
 - C. Insurable Risk
 - D. Market Risk
- 4. Which of the following terms refers to property replacement without deducting depreciation?**
 - A. Market Value
 - B. Actual Cash Value
 - C. Replacement Cost
 - D. Liquidated Demand Clause
- 5. What does the term "malicious prosecution" refer to in CGL policies?**
 - A. Injury from intentional acts
 - B. Filing a baseless legal action
 - C. Defaming someone's character
 - D. Wrongfully terminating an employee

- 6. Coverage D in a homeowners policy pertains to which of the following?**
- A. Medical payments to others
 - B. Indirect loss of use and fair rental value
 - C. Building detached from the abode
 - D. Personal liability coverage
- 7. What is the maximum amount for bodily injury liability per accident in Texas?**
- A. \$60,000
 - B. \$50,000
 - C. \$25,000
 - D. \$100,000
- 8. Which of the following is an example of speculative risk?**
- A. Receiving an insurance payout
 - B. Car insurance premiums
 - C. Investing in the stock market
 - D. Causing a car accident
- 9. What does the term CGL stand for in insurance?**
- A. Comprehensive General Liability
 - B. Commercial General Liability
 - C. Company General Liability
 - D. Contractual General Liability
- 10. What does a Property and Casualty Adjuster license allow a person to do?**
- A. Adjust claims exclusively for worker's compensation
 - B. Adjust all claims related to property and casualty insurance
 - C. Supervise claims only for automotive insurance
 - D. Conduct insurance audits

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. Which of the following is true about the authority to issue endorsements?

- A. Only licensed agents can issue endorsements
- B. Underwriters have the sole authority to issue endorsements**
- C. All insurance personnel can issue endorsements
- D. Policyholders can issue their own endorsements

The correct answer highlights that underwriters are typically the individuals who possess the authority to issue endorsements. An endorsement is a document that modifies, adds, or clarifies coverage in an insurance policy. This responsibility usually falls to underwriters because they have the expertise and authority to evaluate policy changes based on risk assessments and company guidelines. Underwriters are specifically trained to analyze the implications of changes to policies, which ensures that endorsements are aligned with both the insurer's practices and the policyholder's needs. This role requires a deep understanding of underwriting principles, coverage structures, and potential risks, which is why they have the exclusive authority in many situations. While licensed agents do play an important role in communication with policyholders and may facilitate requests for endorsements, they do not have the final authority to approve or issue these modifications to the policy. Instead, they act as intermediaries who gather information and present it to underwriters. Other insurance personnel may assist with various administrative tasks, but they typically do not have the authority to issue endorsements without the underwriter's approval. Policyholders cannot issue endorsements independently either, as they must submit requests to their insurers, which are then evaluated by the underwriters for approval.

2. How is an accident defined in an insurance context?

- A. An event causing harm with intent
- B. A sudden and unforeseen event at a fixed time and place**
- C. A repeated event leading to gradual damage
- D. An unpredictable event with no discernible cause

In the context of insurance, an accident is typically defined as a sudden and unforeseen event that occurs at a specific time and place. This definition encompasses the nature of how most insurance policies treat incidents that lead to loss or damage. An accident generally implies that it is not planned or intended by the parties involved, aligning with the concept of unforeseen circumstances, which is a key aspect in triggering coverage under many insurance policies. This definition serves to clarify that coverage is meant for unintentional and unexpected occurrences, distinguishing them from intentional acts or those that occur gradually over time. In the realm of insurance, an event described by this definition would often be covered under various types of policies, provided it meets the specific terms outlined within those documents. Other definitions that involve intent or ongoing processes do not fit within this typical understanding. This highlights the importance of the context and specific wording contained in insurance policies, which are designed to offer protections for those unexpected, singular events that can lead to significant financial consequences.

3. What type of risk involves both the chance of gain and loss and is typically not insurable?

- A. Pure Risk
- B. Speculative Risk**
- C. Insurable Risk
- D. Market Risk

Speculative risk is characterized by the potential for both gain and loss, making it inherently different from pure risk, which only involves the chance of loss. In the context of insurance, speculative risks are generally not insurable because they are associated with uncertainties that provide opportunities for profit, alongside the possibility of loss. This category includes activities like investing in stocks or starting a business, where the outcome can lead to financial gain or loss. The nature of speculative risks means they are influenced by various market factors and individual decisions, which makes it difficult for insurance companies to predict and assess these risks reliably. As a result, they typically do not offer coverage for events that can lead to profit or loss, focusing instead on losses that cannot be avoided, such as accidents, natural disasters, or theft, which would fall under pure risks. Understanding the distinction between these types of risks is crucial for anyone involved in risk management, insurance, or financial planning.

4. Which of the following terms refers to property replacement without deducting depreciation?

- A. Market Value
- B. Actual Cash Value
- C. Replacement Cost**
- D. Liquidated Demand Clause

The term that refers to property replacement without deducting depreciation is known as Replacement Cost. This concept is essential in insurance and property valuation as it indicates the amount needed to replace an asset with a similar one at current prices, without considering the worn-out value of the existing asset. For policyholders, this means if a covered event occurs, they would receive a payout that allows them to replace their damaged or lost property with a new equivalent, ensuring they can recover the full value of what they had, rather than just the depreciated value. This approach provides better financial protection to the insured party in the event of a loss, making it a preferred choice for many. Understanding this distinction is crucial in evaluating how insurance policies will reimburse individuals after a loss, differing significantly from concepts such as Actual Cash Value, which does account for depreciation.

5. What does the term "malicious prosecution" refer to in CGL policies?

- A. Injury from intentional acts
- B. Filing a baseless legal action**
- C. Defaming someone's character
- D. Wrongfully terminating an employee

The term "malicious prosecution" in Commercial General Liability (CGL) policies specifically refers to the act of initiating a legal action without a reasonable basis, often with malicious intent. This means that the person filing the lawsuit is doing so not because they have a valid claim, but rather to harass or burden the defendant. In this context, the correct answer highlights that malicious prosecution refers to the act of filing a baseless legal action. It is important to note that this concept focuses on the misuse of the legal system to pursue claims that lack merit, which can cause significant harm to the person being accused. When considering the other options: while injury from intentional acts might relate to damaging someone's reputation or premises, it does not specifically encompass the legal ramifications tied to prosecuting someone without grounds. Defaming someone's character speaks to a separate legal issue surrounding false statements and reputational harm, and wrongfully terminating an employee deals with employment law rather than the legal actions taken against someone in civil court. Therefore, filing a baseless legal action aligns most closely with the definition of malicious prosecution.

6. Coverage D in a homeowners policy pertains to which of the following?

- A. Medical payments to others
- B. Indirect loss of use and fair rental value**
- C. Building detached from the abode
- D. Personal liability coverage

Coverage D in a homeowners policy is specifically designed to address the loss of use of the insured property. This includes situations where the property is uninhabitable due to a covered peril, which may result in the insured needing to temporarily relocate. The coverage can provide financial assistance for additional living expenses incurred during this time, as well as loss of fair rental value if the insured property is rented out to tenants who are unable to occupy it. This aspect of Coverage D is critical because it ensures that the policyholder is not financially burdened due to circumstances beyond their control, allowing them to maintain their standard of living while the property is being repaired or rebuilt. It addresses indirect losses, which are costs that go beyond direct damage to the structure itself, highlighting the comprehensive nature of homeowners policies.

7. What is the maximum amount for bodily injury liability per accident in Texas?

- A. \$60,000**
- B. \$50,000
- C. \$25,000
- D. \$100,000

In Texas, the minimum requirement for bodily injury liability coverage is established by state law, which sets the minimum limits at \$30,000 for each injured person, with a maximum of \$60,000 per accident. This means that if multiple people are injured in a single accident, the total payout for bodily injury liability cannot exceed \$60,000, regardless of how many people are injured or how many claims are made. Therefore, the maximum amount for bodily injury liability per accident is indeed \$60,000, making it essential for drivers to understand this coverage requirement to ensure they comply with state insurance laws and protect themselves financially in the event of an accident.

8. Which of the following is an example of speculative risk?

- A. Receiving an insurance payout
- B. Car insurance premiums
- C. Investing in the stock market**
- D. Causing a car accident

Speculative risk refers to a situation where there is a chance of either gain or loss, typically associated with investments and business ventures. Investing in the stock market is the quintessential example of speculative risk because it involves the potential for profit if the value of the stocks increases, as well as the risk of loss if the stock prices fall. Unlike pure risks, which involve a possibility of loss only (like a car accident), speculative risks involve both possibilities of risk and reward. In contrast, receiving an insurance payout pertains to a pure risk scenario, where an individual can only experience loss or no loss. Similarly, car insurance premiums are payments made for coverage and do not present a situation where gain is possible; they reflect a structured cost for protection against pure risks. Causing a car accident also fits into the realm of pure risk, as the outcome is primarily a loss situation (damages or costs associated with liability). Thus, investing in the stock market is the only choice that encapsulates the characteristics of speculative risk.

9. What does the term CGL stand for in insurance?

- A. Comprehensive General Liability
- B. Commercial General Liability**
- C. Company General Liability
- D. Contractual General Liability

The term CGL stands for Commercial General Liability. This type of insurance policy provides coverage for businesses against claims of bodily injury, property damage, and personal injury that might occur in the course of normal business operations. It is designed to protect businesses from the numerous risks they face, particularly in industries where they interact with the public or clients, which could lead to potential lawsuits. Commercial General Liability policies typically include coverage for premises liability, product liability, and advertising injury. This comprehensive coverage is crucial for businesses to safeguard their financial stability and to comply with contractual obligations when entering agreements that may require proof of liability insurance. Understanding CGL is essential for anyone involved in commercial insurance as it plays a significant role in risk management for businesses.

10. What does a Property and Casualty Adjuster license allow a person to do?

- A. Adjust claims exclusively for worker's compensation
- B. Adjust all claims related to property and casualty insurance**
- C. Supervise claims only for automotive insurance
- D. Conduct insurance audits

A Property and Casualty Adjuster license allows a person to adjust all claims related to property and casualty insurance. This type of license encompasses a broad range of claims, including those associated with damage to property, liability for injuries, and various types of losses covered under property and casualty insurance policies. By holding this license, an adjuster is qualified to evaluate and negotiate insurance claims, ensuring that policyholders receive fair compensation based on the terms of their insurance agreements. The broad nature of this licensing reflects the complexity of property and casualty insurance, which covers various scenarios ranging from home insurance claims to those involving liability in scenarios such as car accidents. This versatility is essential, as adjusters often handle a wide array of incidents, making their role crucial in the insurance claims process.

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://usaalicensing.examzify.com>

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

SAMPLE