

USAA LICENSING PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

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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 bond type ensures timely payments for labor and materials by a contractor?**
 - A. Performance bond
 - B. Certificate bond
 - C. Payment bond
 - D. Bid bond
- 2. What is the role of an Independent Adjuster?**
 - A. Handles claims for multiple insurance companies and charges a fee based on time
 - B. Works on behalf of the insured in negotiating claim settlements
 - C. Paid a salary or hourly rate by an insurance company
 - D. Marketing insurance products
- 3. What is the formula used for the coinsurance penalty?**
 - A. $\text{Insurance Required} * (\text{Loss Amount}) = \text{Coinsurance}$
 - B. $\text{Insurance Carried} / \text{Insurance Required} = \text{Coinsurance}$
 - C. $\text{Insurance Carried} / \text{Loss Amount} = \text{Coinsurance Payment}$
 - D. $\text{Insurance Carried} * \text{Rate of Loss} = \text{Coinsurance Settlement}$
- 4. What does the acronym S.P.I.N. represent in the insurance claims process?**
 - A. Separate, Prevent, Investigate, Notify
 - B. Secure, Protect, Inform, Notify
 - C. Separate, Protect, Inventory, Notify
 - D. Submit, Process, Inform, Negotiate
- 5. Which statement is true regarding the type of businesses included in Section 1 of BOP?**
 - A. It includes any business of any size or type
 - B. It covers businesses without regard to height limitations
 - C. It includes service contractors and small office buildings
 - D. Only large apartment buildings are covered

- 6. What formula is used to determine a total loss?**
- A. Repair costs plus market value
 - B. Salvage value plus emotional cost
 - C. Salvage value plus repair costs exceeds pre-loss value
 - D. Market value plus depreciation
- 7. Who is responsible for the actions of the licensee once an emergency or temporary license has been issued?**
- A. The Texas Insurance Commissioner
 - B. The firm requesting the license
 - C. The individual receiving the license
 - D. The state government
- 8. The primary purpose of the business income coverage forms is to reimburse the insured for what?**
- A. Future losses from theft
 - B. Legal fees incurred during litigation
 - C. Losses due to business interruption
 - D. Maintenance costs of business property
- 9. What is a peril in insurance terms?**
- A. A risk that can cause loss or damage
 - B. A type of insurance policy
 - C. A legal agreement between parties
 - D. A method of evaluating claims
- 10. What term refers to the insurance company in an insurance contract?**
- A. Insurer
 - B. Named Insured
 - C. First Party
 - D. Second Party

Answers

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

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Explanations

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1. Which bond type ensures timely payments for labor and materials by a contractor?

- A. Performance bond
- B. Certificate bond
- C. Payment bond**
- D. Bid bond

A payment bond is the correct choice as it is specifically designed to guarantee that a contractor will make timely payments to their subcontractors, laborers, and suppliers for the labor and materials used in a project. This type of bond protects these parties by ensuring they will receive payment even if the contractor fails to settle their debts. A payment bond thus promotes financial security and trust within construction projects, facilitating smooth operations and helping to avoid liens on the property. In contrast, a performance bond ensures that a contractor fulfills their obligations according to the contract terms, focusing on the quality and completion of work rather than payment issues. A bid bond is used to ensure that a contractor will enter the contract at their bid price if awarded the job, serving as a financial assurance for the owner during the bidding process. A certificate bond, while a legitimate financial instrument, does not specifically pertain to construction contracts or labor and material payments, making it less relevant in this context.

2. What is the role of an Independent Adjuster?

- A. Handles claims for multiple insurance companies and charges a fee based on time
- B. Works on behalf of the insured in negotiating claim settlements
- C. Paid a salary or hourly rate by an insurance company**
- D. Marketing insurance products

The role of an Independent Adjuster primarily involves handling claims for multiple insurance companies on a contractual basis. They provide expertise in assessing damages, determining liability, and negotiating settlements. One key aspect of this role is that Independent Adjusters charge a fee based on the time and services provided, rather than being paid a salary or hourly rate by an insurance company. This flexibility allows them to serve various clients, which is a hallmark of their independence. The correct answer emphasizes the nature of compensation and the independent status of the adjuster, which distinguishes them from employees of a single insurance company who are paid a salary or hourly rate. Thus, an Independent Adjuster plays a crucial role in providing claims handling services without exclusive allegiance to one insurer, making their work essential for fair assessment and resolution in the insurance claims process.

3. What is the formula used for the coinsurance penalty?

- A. Insurance Required * (Loss Amount) = Coinsurance
- B. Insurance Carried / Insurance Required = Coinsurance**
- C. Insurance Carried / Loss Amount = Coinsurance Payment
- D. Insurance Carried x Rate of Loss = Coinsurance Settlement

The correct choice indicates that the formula for calculating the coinsurance penalty is based on the ratio of insurance carried to the insurance required. In a coinsurance situation, insurers typically require that policyholders maintain coverage at a specified percentage of the property's total value, often 80%, 90%, or sometimes 100%. This concept is designed to encourage policyholders to insure their property for its full value. When assessing a claim, the insurer compares how much coverage the policyholder actually carried (insurance carried) against the amount they should have had in place (insurance required). The ratio from this comparison directly impacts the amount of the penalty that may be applied if the policyholder is underinsured at the time of the loss. If the ratio of insurance carried to insurance required is below the stipulated coinsurance percentage, the policyholder may not receive the full amount of the loss—leading to a coinsurance penalty. Therefore, the underlying principle is that the policyholder must maintain sufficient coverage to avoid penalties on their claims. Ultimately, this formula emphasizes the importance of ensuring that the insurance coverage remains aligned with the actual value of the property to prevent financial losses in case of a claim due to underinsurance.

4. What does the acronym S.P.I.N. represent in the insurance claims process?

- A. Separate, Prevent, Investigate, Notify
- B. Secure, Protect, Inform, Notify
- C. Separate, Protect, Inventory, Notify**
- D. Submit, Process, Inform, Negotiate

The acronym S.P.I.N. stands for Separate, Protect, Inventory, and Notify in the insurance claims process, making it a valuable framework for understanding the key steps involved. - "Separate" refers to the importance of distinguishing between the involved parties and details of the claim. This step ensures clear understanding and management of the claim without confusion over facts or parties involved. - "Protect" emphasizes securing assets and mitigating further damage. Taking this proactive step can prevent additional losses ahead of the claims process, preserving the integrity of what is being claimed. - "Inventory" involves assessing and documenting all relevant information related to the claim. This includes creating a comprehensive record of losses, damages, and necessary documentation to support the claim, which is essential for prompt and effective processing. - "Notify" signifies the necessity of informing the insurance provider about the incident as soon as possible, ensuring that the claim can be initiated and addressed in a timely manner. This combination of steps helps streamline the claims process and promotes an efficient resolution, making option C the correct choice.

5. Which statement is true regarding the type of businesses included in Section 1 of BOP?

- A. It includes any business of any size or type
- B. It covers businesses without regard to height limitations
- C. It includes service contractors and small office buildings**
- D. Only large apartment buildings are covered

The correct answer highlights that Section 1 of the Businessowners Policy (BOP) does indeed cover service contractors and small office buildings. This feature of the BOP is designed to cater to a variety of small to medium-sized businesses, providing essential property and liability coverage. The inclusion of service contractors demonstrates the policy's flexibility and its suitability for different industries and business types. Service contractors, for instance, may include electricians, plumbers, or landscapers, all of whom typically benefit from the combined coverage options the BOP offers. Additionally, small office buildings fall within the parameters established for coverage, which enhances the ability of a diverse range of businesses to obtain comprehensive insurance tailored to their needs. The other choices do not accurately reflect the focus of Section 1 of the BOP. While the BOP is comprehensive, it does not universally include every possible business type, nor does it apply to certain entities like large apartment complexes without taking into account specific limitations. Therefore, the emphasis on service contractors and small office buildings correctly aligns with the types of businesses specifically targeted by the BOP coverage.

6. What formula is used to determine a total loss?

- A. Repair costs plus market value
- B. Salvage value plus emotional cost
- C. Salvage value plus repair costs exceeds pre-loss value**
- D. Market value plus depreciation

The formula used to determine a total loss is based on whether the sum of salvage value and repair costs exceeds the pre-loss value of the asset. This approach takes into account the financial viability of repairing the damaged item compared to its value before the loss occurred. If the costs associated with repairs and any potential salvage do not justify the pre-loss value, the determination is made that the item is a total loss. This method focuses on the economic implications of retaining or repairing an asset versus replacing it, ensuring that the decision reflects the most financially sound outcome. In this context, assessing total loss via this formula allows for a clear and objective measure of damage in relation to value, which is essential in insurance claims and financial evaluations. The consideration of salvage value helps to offset repair costs in determining whether it is more cost-effective to repair or declare the item a total loss, leading to a straightforward conclusion about the asset's status.

7. Who is responsible for the actions of the licensee once an emergency or temporary license has been issued?

- A. The Texas Insurance Commissioner
- B. The firm requesting the license**
- C. The individual receiving the license
- D. The state government

The firm requesting the emergency or temporary license is responsible for the actions of the licensee once the license has been issued. This is rooted in the principle of agency where organizations or companies are accountable for the actions of their agents or representatives. When a firm applies for such a license, it typically signifies that they are endorsing the individual's competency and integrity to act on their behalf. In this context, the firm has a vested interest in overseeing the activities of the newly licensed individual, ensuring they adhere to relevant regulations and ethical standards. This relationship establishes a clear line of responsibility, wherein the firm must ensure the licensee operates in compliance with industry standards and the law. By holding this responsibility, the firm can manage risks and maintain professional accountability, which is crucial in the insurance sector where client trust and legal compliance are paramount. The other choices represent entities that do have roles in the licensing process, but they do not hold the same level of responsibility for the actions of the licensee post-issuance. The Texas Insurance Commissioner oversees the licensing process and maintains regulatory compliance; however, the ultimate responsibility lies with the firm. The individual receiving the license has a personal responsibility to act ethically but is ultimately backed by the authority of the firm they represent.

8. The primary purpose of the business income coverage forms is to reimburse the insured for what?

- A. Future losses from theft
- B. Legal fees incurred during litigation
- C. Losses due to business interruption**
- D. Maintenance costs of business property

The business income coverage forms are specifically designed to provide financial protection to a business when it experiences a loss of income due to an interruption in operations caused by covered perils, such as fire, storms, or other disasters. When a business cannot operate as usual because of an insured event, this coverage helps reimburse the insured for the income they would have earned had the interruption not occurred. This reimbursement is crucial for businesses to cover ongoing expenses like rent, utilities, and payroll, ensuring that they can recover and continue their operations after the disruption. The focus is on mitigating the financial impact of the interruption rather than covering direct losses or expenses related to theft, litigation, or maintenance of property. Therefore, the primary purpose of these forms is clearly aligned with addressing losses due to business interruption.

9. What is a peril in insurance terms?

- A. A risk that can cause loss or damage
- B. A type of insurance policy
- C. A legal agreement between parties
- D. A method of evaluating claims

In insurance terminology, a peril refers specifically to a risk or a cause of loss or damage. It encompasses events that could potentially lead to financial losses for an insured individual or entity. Examples of perils include natural disasters like floods and earthquakes, as well as human-caused events such as theft or vandalism. Understanding what constitutes a peril is crucial for determining coverage details in an insurance policy, as it helps in identifying the risks that the insurance company is willing to insure against. The other options do not accurately define a peril. For instance, a type of insurance policy is a broader category that encompasses various coverages and terms but does not specify what risks are covered. A legal agreement between parties refers to the contractual nature of insurance policies, while a method of evaluating claims pertains to the processes used after a loss occurs, rather than the risks that lead to those claims. Therefore, defining a peril as a risk that can cause loss or damage is essential for understanding the foundational elements of insurance coverage.

10. What term refers to the insurance company in an insurance contract?

- A. Insurer
- B. Named Insured
- C. First Party
- D. Second Party

The term that refers to the insurance company in an insurance contract is "insurer." This designation is used to describe the entity that provides insurance coverage to the policyholder, who is often referred to as the insured or the policyholder themselves. The insurer is responsible for underwriting the risk, providing compensation for covered losses, and managing the policy according to the terms laid out in the insurance contract. In this context, the "named insured" refers specifically to individuals or entities that are explicitly listed in the insurance policy as covered parties. "First party" typically denotes the insured in a claim situation and does not specifically label the insurance company. "Second party" describes the insurer in relation to the insured, but in the context of an insurance contract, "insurer" is the most precise and commonly accepted term to identify the insurance company involved in the agreement. Thus, the correct choice effectively encapsulates the role of the company that issues and manages the insurance policy.

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!

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