TEXAS STATUTES AND RULES PERTINENT TO PROPERTY AND CASUALTY INSURANCE PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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.

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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!

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Questions

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1. If a rate filing is discriminatory, what is the regulator's likely action?

A. Approve as is

B. Reject or require modification

C. Increase the requested premium unilaterally

D. Ignore the issue

2. Who reviews filed insurance rates under Texas law?

A. The regulator

B. The insurer only

C. The consumer

D. The court

3. A benefit review conference may be requested when which event occurs?

A. The insurer's refusal to pay.

B. After 6 months of delays.

C. When the claimant files a lawsuit.

D. When the insurer accepts payment.

4. In case of total loss of insured property by fire, the fire insurance policy must be held and considered to be a what against the company for the full amount?

A. Liquidated Demand

B. Unliquidated claim

C. Liability release

D. Subrogation

5. Which entity enforces truthfulness and non-discrimination rules in solicitation and negotiation in Texas insurance practice?

A. Texas Department of Insurance

B. Federal Trade Commission

C. Local district attorneys

D. Insurance carriers themselves

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6. TWIA insurable property includes which types of property?

A. Immovable property at a fixed location in a catastrophe area or certain moveable property contained within

B. Only movable property

C. Only immovable property

D. Property outside catastrophe areas

7. In Texas, how should adjusters handle claims when a policy may provide replacement cost or actual cash value?

A. Adjusters must always pay replacement cost

B. They may ignore policy provisions if claim is large

C. Policies may provide replacement cost or actual cash value; adjusters must apply policy provisions and fair valuation

D. They must always pay actual cash value

8. Which plan is considered part of the residual market facilities?

A. Catastrophe Property Insurance Pool

B. TWIA

C. Assigned Risk

D. FAIR Plan Association

9. What does 'timely defense' or time limits refer to in Texas complaint handling by TDI?

A. Timelines require timely responses to complaints; regulated under rules

B. Complaints can be answered at any time

C. Timelines apply only to large insurers

D. Timelines are determined by the insurer

10. Which choice best defines the Course & Scope of Employment?

A. Activity that originates in the employer's business and is performed by an employee to further the employer's affairs, including on-premises and at other locations.

B. Anything performed by an employee for the employer's benefit.

C. Only on the employer's premises.

D. Only for employees' personal tasks

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Answers

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

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Explanations

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1. If a rate filing is discriminatory, what is the regulator's likely action?

A. Approve as is

B. Reject or require modification

C. Increase the requested premium unilaterally

D. Ignore the issue

Discriminatory rate filings violate the rule that rates must be fair and based on risk, not on improper or arbitrary attributes. When a filing shows rates that treat insureds differently in a way that isn't actuarially justified or legally allowed, the regulator won't approve it as is. Instead, they will reject the filing or require the insurer to modify it so that the rating factors are non-discriminatory and properly supported by actuarial data. The goal is to protect consumers from unfair pricing and to ensure rates reflect actual risk, not biased or prohibited distinctions. Increasing premiums unilaterally or ignoring the issue would run counter to those duties, so the regulator's typical action is to require changes or deny the filing until it meets standards.

2. Who reviews filed insurance rates under Texas law?

A. The regulator

B. The insurer only

C. The consumer

D. The court

In Texas, the regulator reviews filed insurance rates. Rates must be filed with the state's insurance regulator, the Texas Department of Insurance, before they can be used. The regulator evaluates the filings to ensure they comply with Texas law, are actuarially justified, and are not excessive, inadequate, or unfairly discriminatory. Based on the review, the regulator can approve, modify, or disapprove the rates. Consumers don't review filings directly, and courts only come into play in disputes or enforcement actions.

3. A benefit review conference may be requested when which event occurs?

A. The insurer's refusal to pay.

B. After 6 months of delays.

C. When the claimant files a lawsuit.

D. When the insurer accepts payment.

A Benefit Review Conference is a Texas workers' compensation step used to resolve disputes over benefits without going to full court litigation. It is typically requested when the insurer refuses to pay benefits owed on the claim, creating a genuine disagreement about what benefits are due or in what amount. This conference gives both sides a chance to present evidence and work toward a determination of payable benefits. Delays alone don't trigger a BRC, filing a lawsuit moves the dispute into the court system rather than the conference process, and if the insurer accepts payment there's no unresolved dispute to review.

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4. In case of total loss of insured property by fire, the fire insurance policy must be held and considered to be a what against the company for the full amount?

A. Liquidated Demand

B. Unliquidated claim

C. Liability release

D. Subrogation

In a total loss situation, the insurer's obligation to the insured is a fixed, definite sum—the amount owed under the policy. Because this amount is certain, the insured has a liquidated demand against the company for the full payment. An unliquidated claim would involve an uncertain or disputed amount, which isn't the case when the loss is total and the policy specifies the payable sum. Subrogation refers to the insurer's right to recover paid funds from a third party after payment, not the nature of the claim against the insurer itself. A liability release isn't the right concept here, since the obligation is to pay the full amount owed, not to release liability.

5. Which entity enforces truthfulness and non-discrimination rules in solicitation and negotiation in Texas insurance practice?

A. Texas Department of Insurance

B. Federal Trade Commission

C. Local district attorneys

D. Insurance carriers themselves

The Texas Department of Insurance is the state regulatory agency responsible for supervising insurance practices in Texas, including how agents solicit and negotiate with consumers. It enforces the Texas Insurance Code provisions on truthful representation and nondiscrimination in marketing and negotiations, and it can investigate complaints, enforce penalties, and take licensing actions when violations occur. This is the authority specifically tasked with overseeing insurance conduct within the state. The Federal Trade Commission handles broad federal consumer protections but does not regulate Texas-specific insurance solicitation and negotiation practices. Local district attorneys enforce criminal statutes rather than day-to-day regulatory compliance in insurance. Insurance carriers implement internal policies but are not the enforcement body for these rules, which is why the state insurance department is the correct choice.

6. TWIA insurable property includes which types of property?

A. Immovable property at a fixed location in a catastrophe area or certain moveable property contained within

B. Only movable property

C. Only immovable property

D. Property outside catastrophe areas

The concept being tested is what TWIA considers insurable property. TWIA covers two kinds of property: immovable property that is fixed at a location within a catastrophe area, and certain moveable property that is contained within the insured property (as defined by the policy). Immovable property refers to buildings or structures and attached fixtures that stay in one place; moveable property within the insured site refers to items that can be moved but are located inside the building or covered structure. The key is that the property must be in the catastrophe area to be eligible, and only those moveable items that the policy explicitly covers are included. This is why the option describing immovable property at a fixed location in a catastrophe area or certain moveable property contained within is the best description.

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7. In Texas, how should adjusters handle claims when a policy may provide replacement cost or actual cash value?

A. Adjusters must always pay replacement cost

B. They may ignore policy provisions if claim is large

C. Policies may provide replacement cost or actual cash value; adjusters must apply policy provisions and fair valuation

D. They must always pay actual cash value

The important idea here is that how a claim is valued depends on what the policy actually provides. In Texas, a property policy may offer replacement cost or actual cash value, and the adjuster must look at the specific policy language to determine which method applies and then value the claim fairly under those terms. If replacement cost coverage is in the policy, the settlement is generally for the cost to repair or replace with like kind and quality up to the policy limits, often without subtracting depreciation, but usually subject to conditions such as proof of replacement and compliance with policy requirements. If the policy provides actual cash value, the payment reflects replacement cost minus depreciation, again within the policy's deductible and any other stated terms. The key is to apply the contract and arrive at a fair valuation based on those provisions rather than defaulting to one method or ignoring the policy terms.

8. Which plan is considered part of the residual market facilities?

A. Catastrophe Property Insurance Pool

B. TWIA

C. Assigned Risk

D. FAIR Plan Association

Residual market facilities exist to provide insurance when the voluntary market won't cover a risk. The Assigned Risk plan is the classic residual-market mechanism for auto insurance. It ensures that drivers who can't obtain coverage through standard insurers can still be insured by having insurers take on these high risk policies, with rates and administration governed by state rules. This illustrates the core idea of the residual market: distribute hard-to-place risks across insurers so people can obtain needed coverage. The other programs are related residual-market style efforts for different lines—such as property—like the plan that handles homeowners and commercial property, and a windstorm association that provides coastal wind coverage. There's also a catastrophe property pool for certain catastrophe exposures. Those illustrate the broader family of residual-market facilities, but the auto Assigned Risk plan is the foundational example most often identified as the residual market in policy and exam contexts.

9. What does 'timely defense' or time limits refer to in Texas complaint handling by TDI?

A. Timelines require timely responses to complaints; regulated under rules

B. Complaints can be answered at any time

C. Timelines apply only to large insurers

D. Timelines are determined by the insurer

Timely defense means there are specific time limits set by TDI rules that require insurers to respond to complaints within a defined period. These deadlines are regulatory requirements, not optional choices by the insurer, and they apply to all insurers. A timely response ensures complaints are acknowledged, investigated, and resolved promptly. It is not true that complaints can be answered at any time, nor that the timelines apply only to large insurers, nor that timelines are determined by the insurer itself.

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10. Which choice best defines the Course & Scope of Employment?

A. Activity that originates in the employer's business and is performed by an employee to further the employer's affairs, including on-premises and at other locations.

B. Anything performed by an employee for the employer's benefit.

C. Only on the employer's premises.

D. Only for employees' personal tasks

Course and scope of employment defines when an employee's actions are connected to the employer's business in a way that could make the employer legally responsible for those actions. The best definition emphasizes activities that originate in the employer's business and are performed by the employee to further that business, even when done at locations away from the employer. This captures both the purpose (to benefit the employer) and the reach (not limited to the employer's premises). That's why the description that focuses on activities originating from the employer's business and performed to further the employer's affairs, including off-site locations, is the correct one. It excludes personal tasks that aren't tied to the employer's business and avoids the overly narrow view that work must stay on the employer's premises, or that any task for the employer would count regardless of relation to the employer's business.

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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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