Property & Casualty Insurance Practice Exam 2026

40 exam-style questions — print it, take it on paper, then check the key.

Every question is original, written to the official exam blueprint — practice questions, not leaked ones. Answer letters are in the key on the last page; every full explanation is free on the practice page in the footer.

1. A candidate wants to know the minimum percentage of questions they must answer correctly to pass the licensing exam. What is the passing score?

A. 60%
B. 65%
C. 70%
D. 75%

2. Two exam attributes are the fee to register and the passing-score percentage. Which pairing correctly matches each attribute to its value?

A. Fee = $70; Passing score = 49%
B. Fee = $49; Passing score = 70%
C. Fee = $130; Passing score = 150%
D. Fee = $49; Passing score = 49%

3. A candidate wants to know the minimum percentage of correct answers needed to pass the licensing examination. What is the required passing score?

A. 60%
B. 65%
C. 70%
D. 75%

4. After paying a covered claim, an insurer pursues the negligent third party who caused the damage in order to recover the amount it paid. Which policy condition permits this?

A. Subrogation
B. Coinsurance
C. Proof of loss
D. Pro rata other insurance

5. Under a named perils policy, who bears the burden of proof after a loss, and how does that change under an open perils policy?

A. The insurer must prove coverage under named perils; the insured must prove an exclusion under open perils.
B. The insured must prove the loss was caused by a covered peril under named perils; under open perils, the insurer must demonstrate that an exclusion applies.
C. The burden of proof always rests with the insured under both forms.
D. The burden of proof always rests with the insurer under both forms.

6. A policyholder stops locking the back door of her insured home, reasoning that her insurance will pay if anything is stolen. This attitude BEST illustrates which concept?

A. Moral hazard

B. Morale hazard

C. Physical peril

D. Proximate cause

7. The principle of indemnity is designed to accomplish which of the following?

A. Guarantee the insured a profit whenever a covered loss occurs

B. Limit recovery to the actual amount of the loss so the insured cannot profit from a loss

C. Require the insured to pay a portion of every claim out of pocket

D. Allow the insurer to recover claim payments from a responsible third party

8. For a property insurance claim to be payable, when must the insured's insurable interest exist?

A. Only when the policy is first purchased

B. At the time of loss

C. Only when the claim payment is issued

D. Insurable interest is never required in property insurance

9. Which statement BEST describes the purpose of a deductible in an insurance policy?

A. It is the maximum amount the insurer will ever pay for a single claim.

B. It is the amount the insured pays out of pocket before the insurer pays, which reduces small claims and lowers premiums.

C. It is a penalty applied only when the insured fails to carry adequate limits.

D. It is the portion of every claim the insurer recovers from a third party.

10. An insured's property is covered by two policies when a single covered loss occurs. Under the other insurance condition with a pro rata provision, how is the loss handled?

A. The insured chooses one insurer to pay the entire loss.

B. Each insurer pays the full loss, allowing the insured to recover twice.

C. The loss is divided among the insurers in proportion to their limits.

D. The policy with the earlier effective date pays the entire loss.

11. A commercial building has a replacement value of $100,000 and the policy contains an 80 percent coinsurance clause, so the insured is required to carry $80,000 of coverage. The insured carries only $60,000. A covered loss of $20,000 occurs, and the policy has a $1,000 deductible. Applying the coinsurance formula, how much will the insurer pay?

A. $14,000

B. $15,000

C. $19,000

D. $20,000

12. Which of the following BEST defines proximate cause in property insurance?

A. Any condition that makes a loss more severe once it has begun

B. The final event in a series of events that damages the property

C. The primary event that sets in motion an unbroken chain of events leading to the loss

D. A cause of loss that is specifically excluded from the policy

13. An insurance producer is explaining loss-related terminology to a new client. Which statement correctly distinguishes a peril from a hazard?

A. A peril is the actual cause of loss, while a hazard is a condition that increases the likelihood or severity of a loss.

B. A peril is a condition that increases the chance of loss, while a hazard is the event that directly causes the loss.

C. Perils and hazards are interchangeable terms for any event that damages covered property.

D. A peril applies only to liability insurance, while a hazard applies only to property insurance.

14. A warehouse is covered by two property policies: Policy 1 with a $200,000 limit and Policy 2 with a $100,000 limit. A $60,000 covered loss occurs. Under the pro rata other insurance condition, how is the loss divided?

A. Policy 1 pays $40,000 and Policy 2 pays $20,000

B. Each policy pays $30,000

C. Policy 1 pays the entire $60,000 because it has the higher limit

D. Policy 2 pays first and Policy 1 pays only the excess

15. An insured's personal property is written on a named perils basis, while a neighbor's is written on an open perils basis. After each suffers a loss, who bears the burden of proof, and for what?

A. Both insureds must prove an exclusion does not apply

B. The named perils insured must show the loss was caused by a covered peril; under the open perils form, the insurer must demonstrate an exclusion applies

C. Both insurers must prove the cause of loss before denying any claim

D. The open perils insured must show the loss was caused by a listed peril; the named perils insurer must prove an exclusion

16. A commercial building valued at $500,000 is insured for $300,000 under a policy with an 80 percent coinsurance clause and a $1,000 deductible. A covered loss of $40,000 occurs. Using the coinsurance formula, how much will the insurer pay?

A. $40,000

B. $39,000

C. $30,000

D. $29,000

17. Which statement best describes the purpose of the principle of indemnity in a property policy?

A. It guarantees the insured receives the full policy limit for any covered loss

B. It restores the insured to the same financial position as before the loss, preventing profit from a loss

C. It requires the insured to carry a stated percentage of the property's value

D. It divides a loss among multiple insurers in proportion to their limits

18. An agent explains to a client why her policy includes a deductible. Which explanation is accurate?

A. It is the amount the insurer pays before the insured's obligation begins

B. It is the amount the insured pays out of pocket before the insurer pays, which reduces small claims and lowers premiums

C. It is a penalty applied only when the insured underinsures the property

D. It is the portion of the loss transferred to a third party through subrogation

19. A windstorm damages an insured's roof. Under the policy conditions describing the insured's duties after a loss, all of the following are required of the insured EXCEPT:

A. Giving prompt notice of the loss

B. Protecting the property from further damage

C. Submitting a signed proof of loss

D. Determining which third party was legally at fault for the loss

20. Dana sells her house in March but forgets to cancel the homeowners policy. In June, the house burns down while owned by the new buyer. Why would Dana's claim under the old policy fail?

A. She no longer has an insurable interest, which in property insurance must exist at the time of loss

B. She failed to submit a signed proof of loss within the policy period

C. The insurer's right of subrogation was impaired by the sale

D. Fire is an excluded peril once a property changes ownership

21. A manufacturer's CGL policy is written on an occurrence form. A customer is injured by the manufacturer's product during the policy period but does not file a claim until three years after the policy expires. How does the occurrence form respond?

A. The claim is covered because the injury occurred during the policy period, regardless of when the claim is filed

B. The claim is denied because it was not first made during the policy period

C. The claim is covered only if it falls after the policy's retroactive date

D. The claim is denied unless an extended reporting period was purchased

22. A homeowner insured under an open perils dwelling form asks which causes of loss could still be denied. Which of the following is commonly excluded even under an open perils form?

A. Flood

B. Fire

C. Windstorm

D. Lightning

23. After paying a covered fire claim, Meridian Insurance discovers the fire was caused by a negligent contractor and sues the contractor to recover the amount it paid its insured. Which policy provision permits this action?

A. Salvage

B. Subrogation

C. Appraisal

D. Abandonment

24. To pass the Texas general property licensing exam, a candidate typically must achieve a score of at least:

A. 70 percent

B. 80 percent

C. 90 percent

D. 100 percent

25. An employee brings a lawsuit against an employer for a work-related injury that falls outside the scope of the state workers compensation statute. Which part of the workers compensation policy is designed to respond?

A. Part One, the statutory workers compensation benefits

B. Part Two, employers liability

C. The commercial general liability policy's products coverage

D. The businessowners policy's property section

26. Under the exclusive remedy arrangement in state workers compensation systems, what does an injured employee generally give up in exchange for guaranteed statutory benefits?

A. The right to receive medical expense benefits

B. The right to sue the employer for the work-related injury

C. The right to rehabilitation benefits

D. The right to any portion of lost wages

27. To satisfy state financial responsibility laws, most states require drivers to carry which of the following?

A. At least minimum liability limits
B. Collision coverage on every registered vehicle
C. Comprehensive (other than collision) coverage
D. Medical payments coverage for all passengers

28. State workers compensation statutes provide several categories of benefits on a no-fault basis for job-related injuries. Which of the following is NOT among those statutory benefits?

A. Medical expenses
B. A portion of lost wages
C. Punitive damages against the employer
D. Death benefits

29. Workers compensation benefit levels and coverage requirements are primarily established by:

A. Each state's statutes
B. A single uniform federal statute
C. Each insurer's underwriting guidelines
D. Private agreements between employers and employees

30. How does a surety bond differ structurally from an insurance policy?

A. A surety bond involves three parties and the surety expects to recover from the principal after paying a loss
B. A surety bond involves two parties with losses absorbed by the surety
C. A surety bond covers fortuitous loss like any other insurance
D. A surety bond is purchased by the party it protects

31. A hurricane drives storm surge into a building whose roof the same wind had already torn open. The property form excludes flood using anti-concurrent causation wording. How does that wording operate?

A. Loss caused directly or indirectly by the excluded peril is barred regardless of any other cause contributing concurrently or in sequence
B. The loss is apportioned between the covered wind cause and the excluded flood cause
C. Coverage applies in full because a covered peril contributed to the loss
D. The exclusion applies only if flood was the sole cause

32. What distinguishes a named perils property form from an open perils form?

A. A named perils form covers only listed causes with the burden on the insured to show the loss falls within one, while an open perils form covers all causes except those excluded, shifting the burden to the insurer
B. An open perils form covers only listed causes
C. A named perils form has no exclusions
D. The two forms differ only in premium, not in coverage scope

33. Extra expense coverage differs from business income coverage in what respect?

A. It pays additional costs incurred to continue operating rather than replacing income lost while shut down
B. It pays for damage to the building itself
C. It applies only after business income limits are exhausted
D. It covers the insured's liability to customers for delayed delivery

34. What is the function of reinsurance from a primary insurer's perspective?

A. It transfers part of the insurer's assumed risk to another insurer, stabilizing results and increasing capacity to write business
B. It insures the policyholder directly against the insurer's insolvency
C. It replaces the need for the insurer to hold reserves
D. It provides coverage to the insurer's employees

35. A commercial auto policy uses symbol 1 for liability. What does that designate?

A. Any auto, the broadest designation covering owned, hired and non-owned vehicles
B. Owned private passenger autos only
C. Hired autos only
D. Trailers only

36. What does an inland marine policy typically cover?

A. Property in transit, movable property and instrumentalities of transportation and communication such as bridges and radio towers
B. Ocean-going vessels and their cargo
C. Buildings at a fixed location only
D. Employee dishonesty losses

37. An equipment breakdown policy covers a boiler explosion. What does it add beyond a standard commercial property form?

A. Coverage for loss from mechanical or electrical breakdown and pressure equipment accidents that property forms exclude, often with inspection services included
B. Coverage for fire damage to the building
C. Liability for injuries to employees
D. Coverage for theft of equipment

38. A representation on an application later proves untrue. What determines whether the insurer may rescind?

A. Whether the misstatement was material, meaning it would have affected the insurer's decision to accept the risk or the terms offered
B. Whether the statement was made in writing
C. Whether the insured benefited financially from the misstatement
D. Any untrue statement permits rescission regardless of significance

39. An insurer wishes to cancel a commercial property policy mid-term for nonpayment. What is generally required?

A. Written notice to the insured within the timeframe state law prescribes, which is typically shorter for nonpayment than for other reasons
B. No notice, since nonpayment terminates coverage automatically
C. Approval from the state insurance department
D. The insured's written consent

40. Two liability policies both respond to the same claim, and each contains wording stating it applies only as excess over any other collectible insurance. How do courts commonly resolve the conflict?

A. The mutually repugnant clauses are disregarded and the loss is shared, since giving both effect would leave the insured with no primary coverage
B. Neither policy responds, since each is excess over the other
C. The older policy is always primary
D. The insured must elect one policy and forfeit the other

Answer key

1. C 2. B 3. C 4. A 5. B

6. B 7. B 8. B 9. B 10. C

11. A 12. C 13. A 14. A 15. B

16. D 17. B 18. B 19. D 20. A

21. A 22. A 23. B 24. A 25. B

26. B 27. A 28. C 29. A 30. A

31. A 32. A 33. A 34. A 35. A

36. A 37. A 38. A 39. A 40. A

Full answer explanations for every question are free on the practice page — no signup.