



Texas Life and Health Insurance

Practice test

April 6, 2026

Time limit: 170 minutes

Official exam page

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Online timed practice

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Answer key for this session (PDF):

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1. Which dividend option uses dividends to reduce the next premium payment due?
 - A. Paid-up additions option
 - B. One-year term dividend option
 - C. Reduction of premium dividend option
 - D. Cash dividend option
2. When an insurer issues a policy with a higher premium than the applied-for rate, this is considered:
 - A. An automatic acceptance of the original application terms
 - B. A denial of coverage that cannot be appealed
 - C. A conditional approval pending further medical testing
 - D. A counter-offer that the applicant must accept for the contract to be binding
3. The assignment clause allows the policyowner to transfer policy rights to:
 - A. The beneficiary, to enable direct premium payment
 - B. The state insurance department for regulatory oversight
 - C. Another party such as a lender (collateral) or new owner (absolute)
 - D. The insurance company, to reduce the policyowner's premium
4. The Texas Insurance Code requires life insurers to send a policy summary to applicants for individual life policies. This summary must include:
 - A. The insurer's financial ratings and claims payment history
 - B. Premium amounts, death benefits, cash values, and dividends at specified policy years
 - C. The agent's commission rate and any referral fees paid
 - D. A comparison of at least three competing policies
5. Which nonforfeiture option allows a policyowner to use accumulated cash value to purchase paid-up insurance with a lower face amount?
 - A. Automatic premium loan
 - B. Cash surrender
 - C. Reduced paid-up insurance
 - D. Extended term insurance

6. A variable life insurance policy's death benefit and cash value fluctuate based on which of the following?
- A. Changes in the insured's age and health status
 - B. Performance of investment subaccounts in the separate account
 - C. The prime interest rate set by the Federal Reserve
 - D. The insurer's general account investment returns
7. An agent who intentionally misrepresents a material fact on a life insurance application may be guilty of:
- A. Concealment
 - B. Waiver
 - C. Estoppel
 - D. Fraud
8. Which annuity settlement option provides the highest monthly income payment?
- A. Life with 20-year period certain
 - B. Joint and 100% survivor
 - C. Installment refund
 - D. Straight life (life only)
9. The reinstatement provision allows a lapsed policy to be reinstated if the policyowner:
- A. File a new application and undergo full underwriting at current age
 - B. Simply pay the next premium due with no additional requirements
 - C. Pay a reinstatement penalty equal to three months of premiums
 - D. Pay all overdue premiums with interest and provide evidence of insurability
10. An annuity that begins making payments immediately after a lump-sum premium is paid is called a:
- A. Immediate annuity
 - B. Variable annuity
 - C. Flexible premium annuity
 - D. Deferred annuity
11. An accidental death benefit rider doubles the death benefit if death occurs as a result of:
- A. An accident, independent of illness or other causes
 - B. A work-related injury only
 - C. A terminal illness diagnosis
 - D. Any cause of death listed in the policy
12. Under Texas law, an insurer that cancels a life insurance policy after it has been in force for more than two years may only do so for:
- A. Nonpayment of premiums
 - B. Material misrepresentation on the application
 - C. A change in the insured's occupation to a hazardous profession
 - D. The insurer's decision to exit the Texas market
13. Which of the following would be an example of a moral hazard in life insurance underwriting?
- A. A history of filing fraudulent insurance claims
 - B. Regularly engaging in skydiving as a hobby
 - C. A diagnosis of Type 2 diabetes
 - D. Working as a commercial fisherman
14. The Medical Information Bureau (MIB) is used in underwriting to:
- A. Check for undisclosed medical conditions or past application history
 - B. Verify the applicant's employment and income history
 - C. Determine the current market value of the proposed policy
 - D. Set premium rates for high-risk applicants
15. Medicare Part D provides coverage for:
- A. Inpatient hospital stays and skilled nursing facility care
 - B. Outpatient prescription drug coverage through private insurers
 - C. Long-term custodial nursing home care
 - D. Outpatient physician and preventive care services
16. An endowment policy matures when:
- A. Only upon the insured's death, never at a set date
 - B. At the insured's death or the policy's maturity date, whichever comes first
 - C. Only when the insured reaches age 100
 - D. When premiums paid equal the face amount
17. Medicare Part B covers which of the following?
- A. Inpatient hospital stays and skilled nursing facility care
 - B. Outpatient medical services, doctor visits, and preventive care
 - C. Prescription drug benefits
 - D. Long-term custodial care in a nursing home
18. A level term life insurance policy is best described as providing:
- A. A fixed death benefit and fixed premium for a defined period, with no cash value
 - B. A flexible-premium policy tied to investment performance
 - C. A death benefit that increases each year to match inflation
 - D. Permanent coverage with a savings component

19. The grace period provision in a life insurance policy typically allows:
- A. 60 days after lapse to reinstate the policy without evidence of insurability
 - B. 10 days to review the policy and return it for a full refund
 - C. 90 days to pay an overdue premium before coverage permanently terminates
 - D. 30 days after the premium due date to pay without the policy lapsing
20. When delivering a life insurance policy, the agent should obtain a delivery receipt to document:
- A. That the insured has read and understood all policy terms
 - B. That the insured waives their right to a free-look period
 - C. The date the policy was delivered, starting the free-look period
 - D. That the first premium has been collected by the agent
21. Which policy dividend option uses dividends to purchase small additional paid-up insurance each year?
- A. Paid-up additions (PUA) dividend option
 - B. Accumulate at interest dividend option
 - C. Cash dividend option
 - D. One-year term dividend option
22. A major medical policy with a \$1,000 deductible and 80/20 coinsurance clause means the insurer pays:
- A. 80% of all expenses including the deductible
 - B. 80% of covered expenses after the deductible is met
 - C. 20% of covered expenses after the deductible is met
 - D. 100% of expenses after the deductible
23. Which of the following statements about continuing education requirements for Texas producers is correct?
- A. 24 hours per two-year renewal period including at least 3 hours of ethics
 - B. 20 hours per year with 2 hours of ethics
 - C. 12 hours per year with no ethics requirement
 - D. 30 hours per two-year period with 5 hours of ethics
24. A life insurance policy must be delivered to the insured within how many days in Texas?
- A. 90 days
 - B. 30 days
 - C. 10 days
 - D. 60 days
25. A PPO (Preferred Provider Organization) differs from an HMO in that it:
- A. Requires members to select a primary care physician and obtain referrals
 - B. Charges lower premiums than HMOs due to less administrative oversight
 - C. Allows members to see any provider without a referral, though at higher cost out-of-network
 - D. Only covers care received within a defined network under any circumstance
26. A misstatement of age clause in a life insurance policy states that:
- A. The insurer charges a penalty equal to twice the premium difference
 - B. The death benefit is paid in full regardless of the misstatement
 - C. The policy is voided and premiums are returned to the beneficiary
 - D. The death benefit is adjusted to what the premium would have purchased at the correct age
27. Under the "birthday rule" for coordination of benefits, when two parents cover a dependent child:
- A. The parent with the longer tenure at their employer is primary
 - B. The older parent's plan is always primary
 - C. The parent whose birthday falls earliest in the calendar year is primary
 - D. The father's plan is always primary for dependent children
28. Which of the following is the standard dividend option that allows a policyowner to receive annual dividends as cash?
- A. Cash dividend option
 - B. Reduction of premium option
 - C. Paid-up additions option
 - D. Accumulate at interest option
29. Under Texas law, the minimum age to obtain a life insurance producer license is:
- A. 25 years of age
 - B. 18 years of age
 - C. 21 years of age
 - D. 16 years of age
30. A key person life insurance policy is taken out by a business to cover:
- A. A key supplier whose loss would disrupt business operations
 - B. All employees of a company under a group policy
 - C. A business owner who is also the sole insured employee
 - D. An employee whose death would cause significant financial loss to the business

31. The cash value in a whole life policy may be accessed by the policyowner through which of the following?
- A. Policy loans or surrendering the policy for its cash surrender value
 - B. Filing a death benefit claim only
 - C. Requesting a dividend from the insurer
 - D. Converting to term insurance only
32. A 20-year term life insurance policy expires. What happens to the coverage?
- A. Coverage automatically converts to whole life
 - B. The accumulated cash value is returned to the policyowner
 - C. Coverage ends with no cash value paid out
 - D. The insurer pays the face amount to the beneficiary
33. A Medicare supplement (Medigap) policy is designed to:
- A. Fill gaps in Original Medicare such as deductibles, copayments, and coinsurance
 - B. Cover long-term custodial care in a nursing home
 - C. Provide prescription drug coverage not included in Medicare Part A or B
 - D. Replace Medicare entirely with comprehensive private coverage
34. In Texas, an insurance producer license must be renewed every:
- A. Every four years
 - B. Every three years
 - C. Every year
 - D. Every two years
35. Under the doctrines of agency law, an agent's knowledge is considered to be the insurer's knowledge because of:
- A. The doctrine of estoppel
 - B. The principle of indemnity
 - C. The principle of utmost good faith
 - D. The doctrine of imputed knowledge
36. A health insurance policy that requires the insured to choose a primary care physician (PCP) and obtain referrals to see specialists is called:
- A. High-Deductible Health Plan (HDHP)
 - B. Preferred Provider Organization (PPO)
 - C. Health Maintenance Organization (HMO)
 - D. Point of Service (POS) plan
37. The free-look period for a newly issued life insurance policy in Texas is:
- A. 30 days
 - B. 20 days
 - C. 5 days
 - D. 10 days
38. Which underwriting factor is considered a physical hazard?
- A. Financial instability or excessive debt
 - B. A dangerous occupation or pre-existing health condition
 - C. A history of filing fraudulent insurance claims
 - D. A dishonest character or lack of integrity
39. A Texas producer who knowingly submits a false insurance application may be charged with:
- A. Misrepresentation — only grounds for policy rescission
 - B. Insurance fraud — a criminal offense with potential license revocation
 - C. A civil infraction resulting only in a fine
 - D. Twisting — an unfair trade practice requiring a warning letter
40. The Texas Insurance Code prohibits agents from engaging in which of the following practices?
- A. Deceptive sales practices, false statements, rebating, and twisting
 - B. Offering multiple policy options from competing insurers
 - C. Selling annuities to clients over age 65
 - D. Recommending a policy with a higher premium than the client needs
41. Texas requires that insurers pay valid life insurance claims within how many business days of receiving proof of loss?
- A. 60 days after receiving the death certificate
 - B. 30 calendar days after the insured's death
 - C. 5 business days after receiving complete proof of loss
 - D. 15 business days after the claim is filed
42. The free-look period for a life insurance policy allows the policyowner to:
- A. Return the policy for a full premium refund within 10 days
 - B. Borrow against the cash value without interest charges
 - C. Change the beneficiary designation without insurer approval
 - D. Increase the death benefit without a new medical examination
43. Which of the following is a characteristic of term life insurance?
- A. Premiums increase each year based on the insured's age
 - B. Provides lifetime coverage with level premiums
 - C. Provides pure death protection for a specified period with no cash value
 - D. Builds cash value that can be borrowed against

44. A graded death benefit whole life policy is primarily designed for:
- A. Applicants seeking the highest possible death benefit
 - B. Applicants who cannot qualify for standard life insurance underwriting
 - C. Business owners seeking key person coverage
 - D. Young, healthy applicants seeking the lowest possible premiums
45. The concept of adhesion in an insurance contract means:
- A. Prepared by one party and accepted or rejected as-is, with ambiguities resolved against the drafter
 - B. Requires both parties to negotiate each term individually
 - C. Can only be enforced if both parties sign in the presence of a notary
 - D. Gives the insurer the exclusive right to modify terms at renewal
46. A buy-sell agreement funded by life insurance is designed to:
- A. Pay the deceased partner's outstanding business debts
 - B. Cover the business's operating expenses during a transition period
 - C. Provide income replacement for the deceased partner's family
 - D. Fund the purchase of a deceased partner's business interest by surviving partners
47. What is the primary purpose of an annuity contract?
- A. To pay a lump-sum death benefit to beneficiaries
 - B. To cover short-term medical expenses
 - C. To replace property lost due to casualty
 - D. To provide a stream of income, typically during retirement
48. Texas law requires a life insurance company to provide a free-look period of at least:
- A. 30 days
 - B. 15 days
 - C. 10 days
 - D. 5 days
49. Which annuity option guarantees payments for the annuitant's lifetime, regardless of how long they live?
- A. Straight life (pure life) annuity
 - B. Joint and survivor annuity
 - C. Life annuity with period certain
 - D. Installment refund annuity
50. What is the primary difference between a traditional whole life policy and a universal life policy?
- A. Whole life offers flexible premiums and adjustable death benefits
 - B. Universal life offers flexible premiums and adjustable death benefits
 - C. Universal life does not accumulate cash value
 - D. Whole life premiums decrease as the insured ages
51. Which type of life insurance policy provides permanent coverage and accumulates cash value at a guaranteed rate?
- A. Term life insurance
 - B. Variable universal life insurance
 - C. Whole life insurance
 - D. Credit life insurance
52. Under Social Security disability benefits, a claimant must be unable to perform any substantial gainful activity for at least:
- A. 6 months with no waiting period
 - B. 24 months with a 12-month waiting period
 - C. 3 months with an immediate benefit upon approval
 - D. 12 months (with a 5-month waiting period before benefits begin)
53. The cash surrender value of a life insurance policy represents:
- A. The amount paid to the beneficiary upon the insured's death
 - B. The maximum loan amount available from the policy
 - C. The total premiums paid minus any claims filed
 - D. The amount paid to the policyowner upon voluntarily terminating the policy
54. A life insurance policy that allows the policyowner to vary the premium amount and death benefit is called:
- A. Adjustable whole life insurance
 - B. Modified whole life insurance
 - C. Variable life insurance
 - D. Universal life insurance
55. A spendthrift clause in a life insurance policy protects the death benefit proceeds from:
- A. The insurer's creditors from accessing the policy reserves
 - B. The beneficiary's creditors attaching the proceeds before payment
 - C. The proceeds from being subject to federal income tax
 - D. The policyowner from changing the beneficiary
56. In Texas, an insurance agent who misappropriates premium funds collected from clients may be subject to:
- A. Mandatory repayment of funds with no further penalty
 - B. A temporary license suspension of 30 days
 - C. License revocation, civil penalties, and possible criminal prosecution
 - D. A written warning and mandatory ethics training

57. Texas requires that replacement notices be provided when a producer recommends replacing an existing life insurance policy. This notice must be provided:
- A. Only after the new policy is approved and issued
 - B. At least 30 days before the existing policy is cancelled
 - C. Before or during the application interview
 - D. Within 10 days of policy delivery
58. Under the ownership clause of a life insurance policy, who has the right to change the beneficiary?
- A. The policyowner
 - B. The insured
 - C. The primary beneficiary
 - D. The insurance agent of record
59. A conditional receipt given to an applicant at the time of application provides coverage:
- A. Only after the insurer formally approves the application
 - B. From the application date, unconditionally, regardless of insurability
 - C. From the application date, but only if the applicant qualifies as a standard risk
 - D. Only after the first premium is credited to the insurer's account
60. The mental health parity law requires group health plans to:
- A. Apply no more restrictive limitations to mental health benefits than to medical/surgical benefits
 - B. Limit mental health inpatient stays to no more than 30 days per year
 - C. Cover all mental health services at 100% with no cost sharing
 - D. Offer separate deductibles for mental health and medical benefits
61. The concept of insurable interest in life insurance requires that the policyowner:
- A. Be related by blood to the insured
 - B. Have a financial interest in the insured's death
 - C. Be the same person as the insured
 - D. Have a financial or genuine interest in the continued life of the insured at the time of application
62. Which type of annuity credits a fixed rate of return during the accumulation phase?
- A. Variable annuity
 - B. Fixed annuity
 - C. Immediate annuity
 - D. Indexed annuity
63. Which settlement option pays the beneficiary a fixed amount each month until the proceeds and interest are exhausted?
- A. Fixed period option
 - B. Life income option
 - C. Fixed amount option
 - D. Interest only option
64. The concept of subrogation does NOT apply to life insurance because:
- A. Life insurance is not indemnity-based and there is no negligent third party responsible for natural death
 - B. The beneficiary waives subrogation rights when accepting payment
 - C. Federal law prohibits subrogation in all life insurance contracts
 - D. Life insurance policies are too small to warrant subrogation recovery
65. Under Texas law, an insurer must acknowledge receipt of a health insurance claim within:
- A. 30 days of receiving all required documentation
 - B. 45 days of the date of service
 - C. 15 days of receiving notice of the claim
 - D. 5 business days of receiving the claim
66. The suicide clause in most life insurance policies provides that:
- A. Returns only the premiums paid if suicide occurs within the first one to two years
 - B. Permanently excludes death by suicide from coverage
 - C. Voids the entire policy if suicide is suspected
 - D. Pays the full death benefit for suicide after the free-look period
67. Which of the following is true regarding group health insurance underwriting?
- A. Requires each member to pass a medical examination before enrollment
 - B. Based on the group as a whole rather than individual medical exams
 - C. Based solely on the employer's industry and not employee health history
 - D. Always offered at the same premium regardless of group claims experience
68. Which settlement option pays the beneficiary a fixed amount each month until the proceeds and interest are exhausted?
- A. Fixed amount option
 - B. Interest only option
 - C. Life income option
 - D. Fixed period option

69. An accidental death benefit (ADB) rider is also commonly known as:
- A. Guaranteed insurability rider
 - B. Disability income rider
 - C. Return of premium rider
 - D. Double indemnity rider
70. A decreasing term life insurance policy is most commonly used to:
- A. Replace income for a surviving spouse for a fixed period
 - B. Provide increasing coverage as the insured ages
 - C. Accumulate cash value at an accelerating rate
 - D. Cover a mortgage or other amortizing debt that declines over time
71. A binding receipt given at the time of application provides coverage:
- A. Only during normal business hours on weekdays
 - B. Only after the insurer processes and approves the application
 - C. Immediately and unconditionally from the date of application
 - D. Only if the applicant is approved as a standard risk
72. The accumulation period of a deferred annuity is the time during which:
- A. The contract is in a surrender charge-free period
 - B. The insurer calculates the annuitant's life expectancy
 - C. Income payments are being distributed to the annuitant
 - D. Premiums are paid and interest accumulates tax-deferred before income payments begin
73. Texas law requires insurers to pay interest on delayed life insurance death benefit claims at a rate of:
- A. Interest at a rate specified in the Texas Insurance Code on the overdue amount
 - B. Double the death benefit as a bad faith penalty
 - C. No penalty unless the insured files a formal complaint with TDI
 - D. A flat penalty of \$500 per day of delay
74. Under Texas insurance law, the term "rebating" refers to:
- A. Charging different premiums to insureds of the same risk class
 - B. Backdating a policy to obtain a lower premium for the insured
 - C. Giving or offering a portion of a commission as an inducement to purchase insurance
 - D. Misrepresenting policy terms to induce a client to switch insurers
75. Which of the following best describes a single premium whole life policy?
- A. A whole life policy with premiums paid over a single decade
 - B. A universal life policy with no ongoing premium requirements
 - C. A term policy paid for with a single premium covering one year
 - D. A whole life policy purchased with one lump-sum payment, immediately paid up
76. Which of the following best describes a joint life insurance policy?
- A. A policy covering two lives that pays upon the death of the first insured
 - B. A policy that allows two policyowners to share premium payments
 - C. A group policy covering all members of a joint venture
 - D. A policy covering two lives that pays upon the death of the second insured
77. A life annuity with a 10-year period certain will continue payments to a beneficiary if the annuitant dies:
- A. Only if the annuitant selected a joint and survivor option
 - B. Before the 10-year guaranteed period expires
 - C. At any time, for the remainder of the beneficiary's lifetime
 - D. After receiving more than the purchase price in payments
78. A 20-Pay Life policy is best described as:
- A. A term policy that provides coverage for exactly 20 years
 - B. A whole life policy that matures at age 20
 - C. A universal life policy with a 20-year interest guarantee
 - D. A whole life policy with premiums paid over 20 years, then paid up for life
79. The Texas Department of Insurance (TDI) is headed by the:
- A. An elected Insurance Board
 - B. The Secretary of State
 - C. The State Treasurer
 - D. The Commissioner of Insurance
80. An indexed universal life (IUL) policy credits interest based on:
- A. A fixed rate declared annually by the insurer
 - B. The performance of a stock market index, subject to a cap and floor
 - C. The performance of mutual fund subaccounts chosen by the policyowner
 - D. The prime interest rate set by the Federal Reserve
81. Which of the following best describes the concept of warranties in an insurance contract?
- A. All statements on an application are warranties and must be literally true
 - B. Representations are binding on the insurer but not the insured
 - C. Statements on an application are representations, not warranties — they must be substantially true
 - D. Only statements about the applicant's age are considered warranties

82. Under Texas law, how long must insurance companies retain copies of policy applications?
- A. 10 years from policy issuance
 - B. 5 years from the date of issue or last entry
 - C. Indefinitely for life insurance policies
 - D. 2 years from policy cancellation
83. Variable annuities require the producer to hold which additional license beyond a life insurance license?
- A. No additional license — a life insurance license alone is sufficient
 - B. A property and casualty license in addition to a life insurance license
 - C. A FINRA securities registration (Series 6 or 7) in addition to a life insurance license
 - D. A health insurance license in addition to a life insurance license
84. Which of the following statements about a participating life insurance policy is correct?
- A. Guarantees a fixed dividend payment each year
 - B. Eligible to receive policy dividends that are not taxable as income
 - C. Sold exclusively by stock insurance companies
 - D. Always charges lower premiums than non-participating policies
85. A guaranteed insurability rider allows the policyowner to:
- A. Guarantee that premiums will not increase as the insured ages
 - B. Purchase additional coverage at future dates without evidence of insurability
 - C. Guarantee the policy will remain in force regardless of premium payments
 - D. Convert a term policy to whole life without a new application
86. An accidental death and dismemberment (AD&D) policy pays the "capital sum" for:
- A. The loss of both hands and both feet
 - B. The loss of life in an accident
 - C. The loss of one limb or one eye (partial dismemberment)
 - D. Total and permanent disability from any cause
87. Which life insurance policy feature allows the policyowner to skip premium payments if the cash value is sufficient?
- A. Reduced paid-up option
 - B. Waiver of premium rider
 - C. Extended term option
 - D. Automatic premium loan provision
88. A viatical settlement in Texas involves:
- A. An accelerated death benefit paid directly by the insurer to a terminally ill insured
 - B. Sale of a life insurance policy by a terminally ill insured to a third party for a lump sum
 - C. A charitable donation of a life insurance policy to a nonprofit organization
 - D. A court-ordered transfer of a life insurance policy in a divorce settlement
89. A waiver of premium rider provides which benefit?
- A. Doubles the death benefit if the insured becomes disabled
 - B. Pays a monthly disability income benefit equal to the face amount
 - C. Waives future premium payments if the insured becomes totally disabled
 - D. Returns all premiums paid if the insured becomes disabled
90. Under the ACA (Affordable Care Act), what is the maximum annual out-of-pocket limit for essential health benefits?
- A. A federally set annual limit after which the insurer pays 100% of covered in-network costs
 - B. A voluntary limit insurers may choose to apply to reduce premiums
 - C. A fixed \$6,000 limit that applies to all ACA plans regardless of tier
 - D. The maximum lifetime benefit payable under any ACA plan
91. An installment refund annuity differs from a straight life annuity in that it:
- A. Pays higher monthly income than a straight life annuity
 - B. Pays income only for a fixed period regardless of survival
 - C. Guarantees a beneficiary receives remaining payments if annuitant dies before recovering the purchase price
 - D. Provides a lump sum refund to the annuitant's estate upon death
92. Under Texas law, an insurance producer acting as a "surplus lines agent" may place coverage with:
- A. Any insurer licensed in any US state regardless of Texas admission
 - B. Only Texas-domiciled insurers at preferred commission rates
 - C. Foreign insurers directly without TDI approval
 - D. Non-admitted (unlicensed) insurers when coverage is unavailable in the admitted market
93. A return of premium rider attached to a term life policy will pay:
- A. A full premium refund if the policy is surrendered at any time
 - B. The full death benefit plus all premiums paid if the insured dies during the term
 - C. All or a portion of premiums paid if the insured outlives the policy term
 - D. Interest earned on the premiums held by the insurer

94. A disability income policy's benefit period refers to:
- A. The maximum policy term before the policy must be renewed
 - B. The period during which premiums are waived due to disability
 - C. How long disability income payments will continue once they begin
 - D. The waiting period before benefits begin after the onset of disability
95. Under Texas law, a "stranger-originated life insurance" (STOLI) transaction is:
- A. A legitimate investment strategy regulated by TDI
 - B. Permitted only for policies with a face amount under \$500,000
 - C. Illegal because the third party lacks an insurable interest in the insured
 - D. Legal if the insured consents in writing to the arrangement
96. A health insurance policy's stop-loss (out-of-pocket maximum) provision:
- A. Limits the total lifetime benefit the insurer will pay
 - B. Caps the insured's annual out-of-pocket costs, after which insurer pays 100%
 - C. Prevents the insurer from cancelling the policy after a large claim
 - D. Stops premium increases after a specified number of years
97. A child rider on a life insurance policy typically provides coverage for:
- A. Only the firstborn child at the time the rider is purchased
 - B. Only children under age 5 at the time of rider purchase
 - C. All of the insured's children under one rider for a flat additional premium
 - D. Each child individually at a separate premium per child
98. The mortality charge in a universal life insurance policy is deducted from the:
- A. The insurer's general account reserves
 - B. The surrender value upon policy termination
 - C. The policyowner's checking account via automatic withdrawal
 - D. The policy's cash value account
99. Which of the following is a requirement for a life insurance contract to be legally valid?
- A. Notarization by a licensed attorney
 - B. A signed medical exam
 - C. A minimum face amount of \$10,000
 - D. Insurable interest
100. A policy loan provision allows a policyowner to borrow against the policy's cash value at:
- A. Zero percent, as policy loans are an interest-free benefit
 - B. The rate determined by the state insurance department annually
 - C. The interest rate specified in the policy or tied to a current index
 - D. The current prime rate plus 5%
101. The COBRA continuation coverage law requires employers with 20 or more employees to:
- A. Provide state-subsidized health coverage to all terminated workers
 - B. Offer terminated employees continued group health coverage at the employee's own expense
 - C. Convert group coverage to individual coverage at no additional cost
 - D. Pay all health insurance premiums for terminated employees for 18 months
102. Medicaid is a government health insurance program primarily designed to serve:
- A. Low-income individuals and families who meet eligibility criteria
 - B. All Americans over age 65 regardless of income
 - C. Federal government employees and their dependents
 - D. Veterans who served in active military duty
103. The entire contract clause in a life insurance policy means:
- A. The insurer may attach additional documents to modify coverage at any time
 - B. The policy and attached application constitute the complete agreement between the parties
 - C. The policy can be modified by oral agreements between agent and insured
 - D. The insured has the right to review the entire underwriting file
104. A modified premium whole life policy differs from a standard whole life policy in that it:
- A. Provides a modified (reduced) death benefit during the entire policy period
 - B. Has higher premiums in the first few years, then lower premiums thereafter
 - C. Has lower premiums in the first few years, then higher premiums thereafter
 - D. Allows the policyowner to modify the death benefit annually
105. An attending physician statement (APS) is requested by the underwriter when:
- A. The applicant's medical history indicates a condition requiring more detail
 - B. The agent suspects the applicant has misrepresented their income
 - C. The applicant requests a face amount over \$1 million
 - D. All applicants over the age of 50 regardless of health history

- 106.** A health savings account (HSA) can only be established by an individual enrolled in:
- A. Any group health insurance plan sponsored by an employer
 - B. A High-Deductible Health Plan (HDHP)
 - C. Medicare Part A or Part B
 - D. A PPO plan with an out-of-pocket maximum under \$5,000
- 107.** Which of the following is NOT an element of a valid insurance contract?
- A. Consideration
 - B. Legal purpose
 - C. Offer and acceptance
 - D. Warranty
- 108.** A disability income policy with an "own occupation" definition of disability pays benefits when:
- A. The insured cannot perform any occupation for which they are reasonably suited
 - B. The insured's income is reduced by at least 50% due to illness
 - C. The insured is hospitalized for more than 30 consecutive days
 - D. The insured cannot perform the duties of their specific occupation
- 109.** Which of the following best describes a flexible spending account (FSA)?
- A. Allows pre-tax dollars for medical expenses but unused funds are generally forfeited at year-end
 - B. Requires enrollment in a High-Deductible Health Plan to participate
 - C. Rolls over unused funds indefinitely and earns tax-free investment returns
 - D. Is funded entirely by the employer with no employee contributions
- 110.** Which nonforfeiture option provides term insurance for the full face amount for a limited period?
- A. Extended term insurance
 - B. Automatic premium loan
 - C. Reduced paid-up insurance
 - D. Cash dividend option
- 111.** The incontestability clause in a life insurance policy prevents the insurer from contesting the policy after:
- A. The insured has reached age 65
 - B. The policy has been in force for one year
 - C. The policy has been in force for two years
 - D. The first premium has been paid
- 112.** Under an irrevocable beneficiary designation, the policyowner:
- A. Retains full ownership rights including the right to surrender the policy
 - B. Must obtain the insurer's approval before making any policy changes
 - C. Cannot change the beneficiary or take a policy loan without the beneficiary's consent
 - D. Can change the beneficiary at any time without restriction
- 113.** A premium notice is NOT required to be sent by the insurer when:
- A. Premiums due during the grace period
 - B. Premiums paid on a monthly basis
 - C. The first (initial) premium
 - D. All renewal premiums after the first year
- 114.** Which exclusion is most commonly found in life insurance policies?
- A. Death while operating a private aircraft
 - B. Suicide (within the first one to two policy years)
 - C. Death from a pre-existing condition
 - D. Death during military service
- 115.** A backdating provision on a life insurance policy is primarily used to:
- A. Extend the contestability period beyond the standard two years
 - B. Avoid paying the first premium until a later date
 - C. Obtain a lower premium rate based on the insured's younger age at the backdated date
 - D. Make the policy retroactively cover a recent hospitalization
- 116.** Medicare Part A primarily covers:
- A. Prescription drug coverage
 - B. Dental, vision, and hearing services
 - C. Inpatient hospital stays and skilled nursing facility care
 - D. Outpatient physician visits and preventive services
- 117.** Under Texas law, how long does a new life insurance producer have to complete their initial continuing education requirements?
- A. Before the first renewal date, which occurs within 2 years of initial licensure
 - B. Within 30 days of completing the licensing exam
 - C. Within 90 days of receiving the initial license
 - D. Within 6 months of the first policy sold
- 118.** An accelerated death benefit rider allows a terminally ill insured to:
- A. Have premiums waived for the duration of the terminal illness
 - B. Receive the full death benefit tax-free immediately upon diagnosis
 - C. Receive a portion of the death benefit while still alive
 - D. Purchase additional coverage without evidence of insurability

- 119.** Under the Texas Insurance Code, "unfair discrimination" in life insurance includes:
- A. Declining coverage to applicants with a history of chronic illness
 - B. Charging different premiums to insureds in the same risk class without actuarial justification
 - C. Charging higher premiums for smokers than non-smokers
 - D. Offering different policy options to customers of different income levels
- 120.** A universal life insurance policy differs from whole life primarily because it offers:
- A. A fixed premium with no cash value accumulation
 - B. Flexible premiums and an adjustable death benefit
 - C. Coverage for a specified term only, with no renewal option
 - D. Investment subaccounts tied to equity market performance
- 121.** The common disaster clause in a life insurance policy addresses the situation where:
- A. The insured and insurer dispute the cause of death
 - B. The policy lapses during a declared state of emergency
 - C. Two or more beneficiaries disagree on how to split the proceeds
 - D. The insured and primary beneficiary die in the same event
- 122.** Which type of life insurance policy provides a fixed death benefit and accumulates cash value at a guaranteed rate?
- A. Term life insurance
 - B. Universal life insurance
 - C. Whole life insurance
 - D. Variable life insurance
- 123.** Under a waiver of premium rider, premiums are waived if the insured becomes:
- A. Totally and permanently disabled
 - B. Diagnosed with any illness, regardless of severity
 - C. Temporarily injured in an accident
 - D. Unemployed for more than 90 days
- 124.** A survivorship life (second-to-die) policy pays the death benefit upon:
- A. The death of the second (last surviving) insured
 - B. When both insureds reach age 100
 - C. The death of the first insured
 - D. Either insured's death, whichever occurs first
- 125.** The pre-existing condition exclusion period under HIPAA for group health plans was limited to:
- A. 12 months (18 months for late enrollees), reduced by prior creditable coverage
 - B. Unlimited — no statutory cap under HIPAA
 - C. 24 months regardless of prior coverage
 - D. 6 months with no reduction for prior coverage
- 126.** A long-term care insurance policy typically begins paying benefits when the insured:
- A. Cannot perform at least 2 of 6 activities of daily living or has cognitive impairment
 - B. Requires assistance with at least one instrumental activity of daily living
 - C. Is confined to a nursing home for more than 90 consecutive days
 - D. Has a terminal illness with a life expectancy of less than 12 months
- 127.** The Texas Life and Health Insurance Guaranty Association protects policyowners in the event of:
- A. A producer misappropriates client premiums
 - B. An insurer denies a valid claim in bad faith
 - C. A policyowner cannot afford to pay premiums
 - D. An insurer becomes insolvent and cannot pay policy benefits
- 128.** Which entity administers the Texas Producer Licensing exam?
- A. Pearson VUE
 - B. PSI Services
 - C. Prometric
 - D. The Texas Department of Insurance directly
- 129.** A rated (substandard) policy is issued when the underwriter determines the applicant is:
- A. A standard risk who pays the published rate for their age and gender
 - B. An uninsurable applicant who has been declined coverage
 - C. A preferred risk who qualifies for the insurer's lowest available premium
 - D. A higher-than-average risk who may pay higher premiums or receive modified coverage
- 130.** Which of the following is NOT covered by Medicare Part A?
- A. Skilled nursing facility care after a qualifying hospital stay
 - B. Outpatient prescription drugs
 - C. Hospice care for terminally ill beneficiaries
 - D. Inpatient hospital care