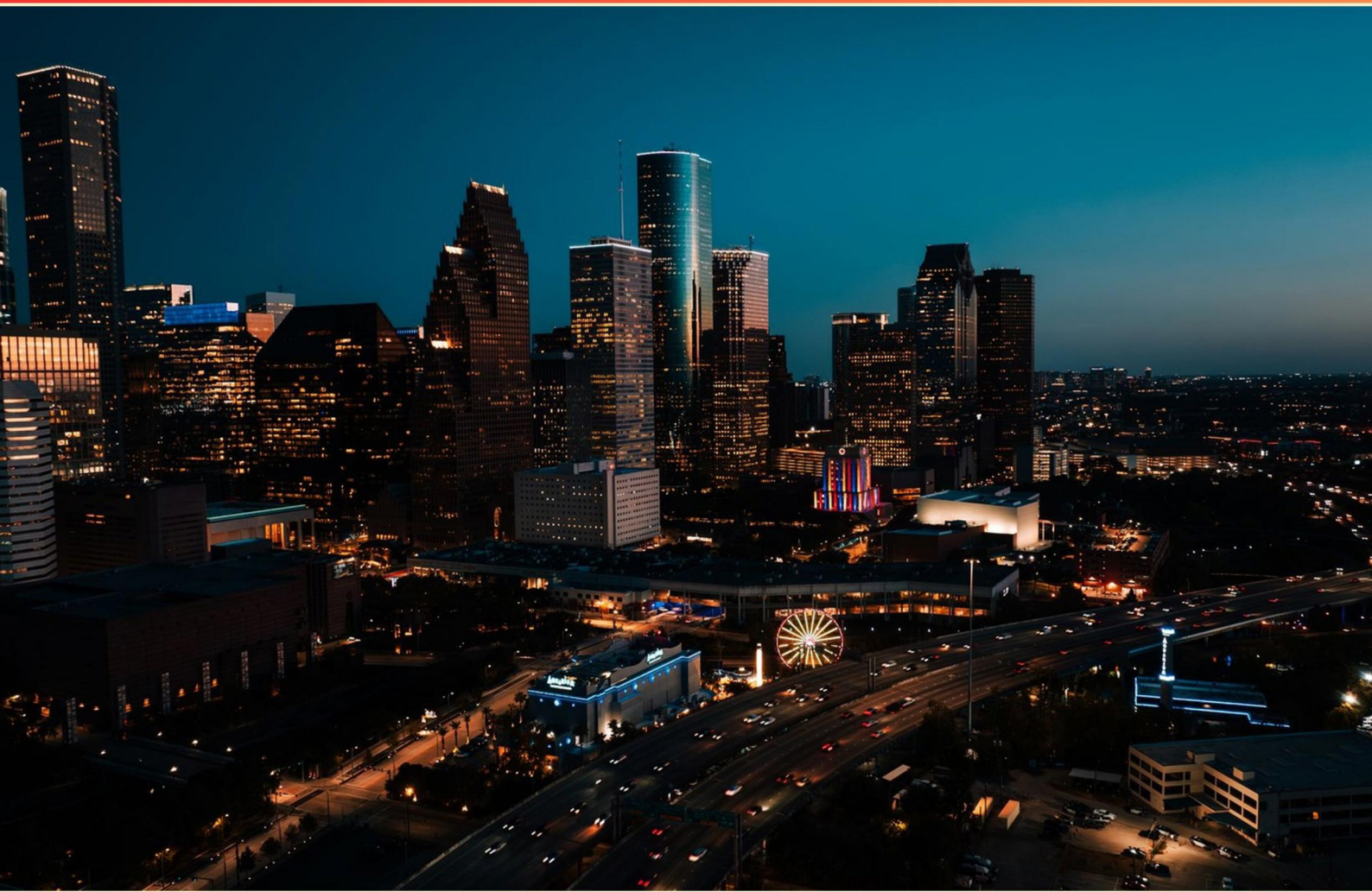


TEXAS LIFE AGENT PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
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. What happens to an agent's accounts if their license is suspended or revoked?**
 - A. All accounts must be transferred
 - B. Accounts are canceled immediately
 - C. Accounts continue in force
 - D. Only health accounts remain active
- 2. When does life insurance become effective?**
 - A. Upon application submission
 - B. Upon the cashing of the initial premium
 - C. When the conditions of the conditional receipt are met
 - D. Immediately after the application is signed
- 3. Which of the following statements is true about the premium amount schedule for a Whole Life policy?**
 - A. Premiums are payable for a specific number of years only.
 - B. Premiums can vary based on the market conditions.
 - C. Premiums are payable throughout the insured's lifetime, and coverage continues until the insured's death.
 - D. Premiums are paid in a lump sum at the beginning of the policy.
- 4. If an applicant provides false information knowingly, what could be the consequence?**
 - A. The policy may be voided
 - B. The applicant could be fined
 - C. The application would be automatically approved
 - D. The applicant would receive a lower premium
- 5. What is the age threshold for incurring a premature distribution penalty on Traditional IRAs?**
 - A. 55
 - B. 59 1/2
 - C. 62
 - D. 65

- 6. For a Key Employee Life policy with a Double Indemnity clause, what is the insurance company's liability if the insured commits suicide within six months?**
- A. \$0
 - B. \$1,000
 - C. \$2,000
 - D. \$100,000
- 7. What approach should agents take regarding premium rates?**
- A. Set random rates
 - B. Adjust based on experience and loss data
 - C. Never change after issuance
 - D. Offer mandatory discounts
- 8. Who is typically responsible for providing the Buyer's Guide to a prospective policyholder?**
- A. The insurance company
 - B. The life insurance agent
 - C. The insurance commissioner
 - D. The beneficiary of the policy
- 9. What type of insurance often requires a risk assessment before issuance?**
- A. Life insurance
 - B. Homeowners insurance
 - C. Travel insurance
 - D. Health insurance
- 10. What type of life insurance rider pays the insured's premium during a period of disability?**
- A. Waiver of premium
 - B. Accidental death benefit
 - C. Automatic premium loan
 - D. Guaranteed insurability

Answers

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

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Explanations

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1. What happens to an agent's accounts if their license is suspended or revoked?

- A. All accounts must be transferred
- B. Accounts are canceled immediately
- C. Accounts continue in force**
- D. Only health accounts remain active

When an agent's license is suspended or revoked, accounts that were previously established remain in force. This situation generally means that the contracts or policies linked to those accounts are not automatically canceled or voided simply due to the agent's change in status regarding their licensing. In practical terms, this continuity allows for the clients to maintain their coverage, despite the agent's inability to further engage in insurance transactions. Clients can still rely on their established protections, ensuring they are not left without coverage during the transition period that follows a license suspension or revocation. Other choices suggest actions that would not generally occur automatically. For instance, transferring all accounts might imply that an agent has to find another licensed individual to take over, which is not necessary given the accounts remain in force. Immediate cancellation of accounts lacks fairness, as clients should not lose their coverage due to the agent's licensing status. Lastly, the suggestion that only health accounts remain active disregards the continuity that applies to all accounts regardless of their type.

2. When does life insurance become effective?

- A. Upon application submission
- B. Upon the cashing of the initial premium
- C. When the conditions of the conditional receipt are met**
- D. Immediately after the application is signed

Life insurance typically becomes effective when the conditions of the conditional receipt are met. A conditional receipt is often issued when a prospective policyholder submits an application and pays the initial premium. This receipt serves as temporary coverage until the insurer completes its underwriting process. The accuracy of this answer hinges on the understanding that the receipt outlines specific conditions under which coverage will start before the policy is officially issued. For instance, the insurer may require that the applicant is in good health at the time of the application or that the information provided is accurate. If these conditions are satisfied, the insurance coverage begins as stipulated in the receipt, even if the final policy has not yet been issued. In contrast, simply submitting the application or signing it does not automatically create an insurance contract or provide coverage. The application's review process and the insurer's approval are essential for the policy to be effective. Additionally, while cashing the initial premium is a crucial step, it does not guarantee coverage unless the conditions of the conditional receipt are fulfilled. Thus, the effective date of life insurance is contingent upon these critically evaluated conditions being met.

3. Which of the following statements is true about the premium amount schedule for a Whole Life policy?

- A. Premiums are payable for a specific number of years only.
- B. Premiums can vary based on the market conditions.
- C. Premiums are payable throughout the insured's lifetime, and coverage continues until the insured's death.**
- D. Premiums are paid in a lump sum at the beginning of the policy.

The statement that premiums are payable throughout the insured's lifetime, and coverage continues until the insured's death, accurately reflects the nature of Whole Life insurance policies. Whole Life insurance is designed to provide lifelong coverage, and one of its key features is that premiums are typically paid for the duration of the policyholder's life. This ensures that the policy remains in force until the insured passes away, at which point a death benefit is paid to the beneficiaries. Unlike term life insurance, which covers a specified period and has no cash value, Whole Life policies build cash value over time and offer a guaranteed death benefit. The consistent premium payments can be fixed or level, providing predictability for policyholders in managing their finances. This stability and guaranteed coverage until death are significant selling points of Whole Life insurance. The other options suggest characteristics that do not apply to Whole Life policies. For instance, saying that premiums are only payable for a specific number of years would imply a temporary coverage that is typical of term policies. Similarly, the notion that premiums can vary based on market conditions does not align with Whole Life's structured premium payments; instead, variations in premiums may occur in other types of insurance, such as Universal Life. Lastly, while lump-sum payments are an option,

4. If an applicant provides false information knowingly, what could be the consequence?

- A. The policy may be voided**
- B. The applicant could be fined
- C. The application would be automatically approved
- D. The applicant would receive a lower premium

When an applicant knowingly provides false information during the application process for an insurance policy, the consequence can indeed lead to the policy being voided. This principle stems from the concept of "material misrepresentation." If the insurer discovers that critical information provided by the applicant was inaccurate or deceitful, it has the right to deny coverage or void the contract entirely. This action protects the integrity of the insurance process and ensures that all parties are adhering to truthful representation. In insurance, the accuracy of the information disclosed is vital for underwriting decisions. If the insurer cannot rely on the honesty of the information provided, it can significantly alter the risk assessment, leading to the possibility that the insurer may not want to assume the risk associated with the policy at all. Consequently, voiding the policy serves as a safeguard against fraudulent behavior, thereby maintaining fairness and trust within the insurance system.

5. What is the age threshold for incurring a premature distribution penalty on Traditional IRAs?

- A. 55
- B. 59 1/2**
- C. 62
- D. 65

The age threshold for incurring a premature distribution penalty on Traditional IRAs is 59 1/2. This rule is established by the Internal Revenue Service (IRS) to discourage early withdrawals from retirement accounts. If an individual takes a distribution from their Traditional IRA before reaching this age, they may be subject to an additional 10% tax penalty on the amount distributed, on top of any ordinary income tax due on the withdrawal. There are specific exceptions to this rule, such as for certain hardships or medical expenses, but in general, reaching the age of 59 1/2 allows individuals to withdraw funds from their IRA without incurring this penalty. This age threshold is important for planning retirement funds and understanding the long-term nature of retirement savings.

6. For a Key Employee Life policy with a Double Indemnity clause, what is the insurance company's liability if the insured commits suicide within six months?

- A. \$0**
- B. \$1,000
- C. \$2,000
- D. \$100,000

In the context of a Key Employee Life policy featuring a Double Indemnity clause, it's important to understand how these components interact, especially regarding suicide. Typically, insurance policies have a suicide clause that limits the company's liability in the event of suicide within a specified timeframe, often two years from the date of issue. However, if the insured commits suicide within six months, this usually means that the policy would not pay out the full amount of the insurance. In this case, the correct liability would generally default to \$0 due to the standard suicide exclusion, which denies the payment of benefits if the insured takes their own life shortly after the policy is issued. Therefore, stating that the insurance company would provide \$2,000 indicates a misunderstanding because the typical payout in this scenario, where the suicide occurs within the stipulated period, would usually reflect the absence of payouts or only return premiums contributed to the policy. Thus, recognizing the intention behind a Double Indemnity clause is vital as well; this provision doubles the payout in cases of accidental death but does not apply to fatalities resulting from suicide within the restricted time frame. Therefore, understanding these policy specifics clarifies the liability of an insurance company under such circumstances.

7. What approach should agents take regarding premium rates?

- A. Set random rates
- B. Adjust based on experience and loss data**
- C. Never change after issuance
- D. Offer mandatory discounts

The correct approach for agents regarding premium rates is to adjust based on experience and loss data. This methodology ensures that premium rates are reflective of the actual risk associated with the insured individuals and the overall claims experience of the insurance company. Utilizing experience and loss data allows for a more accurate assessment of the risks involved, leading to better pricing decisions that can help maintain the insurer's financial stability while providing fair rates to policyholders. By analyzing data related to previous claims, policy renewals, and overall market trends, agents and insurers can respond to changing circumstances effectively. This adaptive approach helps to ensure that the company remains competitive in the market while also safeguarding its ability to pay out claims when necessary. Setting random rates lacks the analytical basis necessary for effective risk management and could lead to financial instability for the insurer. Conversely, never changing rates after issuance could result in inadequate coverage or overpricing, particularly in fluctuating markets. Offering mandatory discounts may attract customers initially, but it can also undermine the financial health of the insurance product if not balanced with proper underwriting and risk assessment.

8. Who is typically responsible for providing the Buyer's Guide to a prospective policyholder?

- A. The insurance company
- B. The life insurance agent**
- C. The insurance commissioner
- D. The beneficiary of the policy

The life insurance agent is typically responsible for providing the Buyer's Guide to a prospective policyholder. This guide serves as an informative document that outlines key features, benefits, and terms associated with life insurance products. It is designed to help consumers make informed decisions before purchasing a policy. Requiring the agent to deliver the Buyer's Guide ensures that prospective policyholders receive personalized assistance and have a clear understanding of their options and what they entail. The agent is in a position to explain the specifics of the policy offerings and address any questions or concerns the buyer may have, making the process more transparent and comprehensible for the customer. This aligns with the goal of promoting informed consumer choices in the insurance marketplace.

9. What type of insurance often requires a risk assessment before issuance?

- A. Life insurance**
- B. Homeowners insurance
- C. Travel insurance
- D. Health insurance

Health insurance typically requires a risk assessment before issuance because it involves evaluating the current health status and medical history of the individual seeking coverage. This assessment helps insurance companies determine the likelihood of future claims based on existing health conditions, lifestyle choices, and other risk factors. The insurer uses this information to decide whether to offer coverage, set premiums, and establish terms and conditions of the policy. In the context of health insurance, the risk assessment is crucial because it directly impacts the insurer's ability to provide services while maintaining financial viability. By understanding an individual's medical risks, insurers can create appropriate plans and pricing structures that balance covering potential healthcare costs with the premiums collected. In contrast, while life, homeowners, and travel insurance may also involve assessments, they do not necessarily require as comprehensive a review of personal health risks, making health insurance notably distinct in this regard.

10. What type of life insurance rider pays the insured's premium during a period of disability?

- A. Waiver of premium**
- B. Accidental death benefit
- C. Automatic premium loan
- D. Guaranteed insurability

The type of life insurance rider that pays the insured's premium during a period of disability is known as the waiver of premium rider. This rider is crucial for individuals who may become disabled and unable to work, as it ensures that their life insurance policy remains in force without the need for premium payments during the time they are disabled. When a waiver of premium rider is included in a life insurance policy, it typically triggers under specific conditions, often after a waiting period defined in the policy. During this time, the insurance company will cover the premium payments, which protects the policyholder from losing their coverage due to financial hardship from disability. This rider provides significant peace of mind, knowing that even in adverse circumstances, their life insurance will continue to provide protection for their beneficiaries. The other options reflect different features or benefits that do not directly provide premium payment assistance during disability, making them less relevant to this specific question. For instance, an accidental death benefit rider typically pays an additional benefit if death occurs due to an accident, while an automatic premium loan provision allows the insurer to cover unpaid premiums by borrowing against the cash value of the policy. Meanwhile, the guaranteed insurability rider gives the policyholder the right to purchase additional coverage without medical underwriting but does not address premium

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:

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

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