

Texas Life Insurance Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of 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.

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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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

- 1. What is the purpose of a "return of premium" rider?**
 - A. To provide additional coverage in case of illness**
 - B. To guarantee a refund of premiums paid if the insured outlives the policy term**
 - C. To adjust the death benefit based on inflation**
 - D. To convert term life insurance to whole life insurance after a certain age**
- 2. How often must a life agent's license be renewed?**
 - A. Every year**
 - B. Every 2 years**
 - C. Every 3 years**
 - D. Every 4 years**
- 3. What is one major advantage of renewable term insurance?**
 - A. It requires a medical exam upon renewal.**
 - B. It can be extended without evidence of insurability.**
 - C. It offers increasing benefits each year.**
 - D. It provides a cash surrender value.**
- 4. Who owns a stock insurance company?**
 - A. Policyholders**
 - B. State government**
 - C. Stockholders**
 - D. Board of Directors**
- 5. Which of the following is NOT a responsibility of the Commissioner of Insurance?**
 - A. Setting premium rates**
 - B. Issuing licenses**
 - C. Enforcing insurance laws**
 - D. Conducting hearings**

- 6. What feature allows a renewable term policy to be extended?**
- A. Evidence of insurability.**
 - B. Fixed premiums for life.**
 - C. Owner's election to renew.**
 - D. Mandatory medical exam.**
- 7. What are "non-participating" policies?**
- A. Policies that receive dividends based on the insurer's performance**
 - B. Policies that do not share in the insurer's profits and do not pay dividends to policyholders**
 - C. Policies that combine both term and whole life insurance features**
 - D. Policies that are limited to specific health conditions**
- 8. In Texas, who oversees all insurance transactions and regulations?**
- A. The Governor**
 - B. The Department of Insurance**
 - C. The State Legislature**
 - D. The Insurance Advisory Board**
- 9. What is required to present to an applicant during a policy replacement?**
- A. A detailed financial analysis**
 - B. A NOTICE REGARDING REPLACEMENT signed by both the applicant and producer**
 - C. An insurance policy summary**
 - D. A list of potential new insurers**
- 10. What is one important consideration when selecting a life insurance policy?**
- A. The coverage amount should be based solely on monthly premiums**
 - B. The type of insurance should align with the individual's long-term financial goals**
 - C. The policy must be purchased in person through a broker**
 - D. The insured must provide medical documentation at all times**

Answers

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

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Explanations

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1. What is the purpose of a "return of premium" rider?
- A. To provide additional coverage in case of illness
 - B. To guarantee a refund of premiums paid if the insured outlives the policy term**
 - C. To adjust the death benefit based on inflation
 - D. To convert term life insurance to whole life insurance after a certain age

The purpose of a "return of premium" rider is to guarantee a refund of premiums paid if the insured outlives the policy term. This means that if the policyholder continues to pay their premiums and survives until the end of the term, they will receive back all the money they paid into the policy. This rider serves as an incentive for individuals who may be hesitant to purchase term life insurance because they worry about not receiving any benefit if they survive the term. By including this rider, policyholders can have peace of mind knowing that their investment will be returned if they do not need the death benefit, making it an attractive option for those who seek a safety net while ensuring their life insurance needs are covered.

2. How often must a life agent's license be renewed?
- A. Every year
 - B. Every 2 years**
 - C. Every 3 years
 - D. Every 4 years

A life agent's license in Texas must be renewed every 2 years. This requirement aligns with the state's efforts to ensure that agents remain knowledgeable and compliant with current laws and regulations governing the insurance industry. Regular renewal helps to maintain a high standard of professional practice and ensures that agents stay updated on any changes in laws, policies, and best practices that may affect their ability to serve clients effectively. This two-year renewal cycle helps to uphold the integrity of the life insurance profession and protect consumers by ensuring that agents meet ongoing educational requirements and practice standards.

3. What is one major advantage of renewable term insurance?

- A. It requires a medical exam upon renewal.
- B. It can be extended without evidence of insurability.**
- C. It offers increasing benefits each year.
- D. It provides a cash surrender value.

Renewable term insurance is designed to provide policyholders with the flexibility to renew their policy at the end of each term without needing to provide new evidence of insurability. This means that even if the insured's health status has deteriorated or if they have developed a serious medical condition, they can still renew their policy and maintain coverage without the risk of being denied due to health issues. This feature makes renewable term insurance particularly appealing for individuals who want to ensure continued coverage regardless of changes in their health over time. The other options present characteristics that are not associated with renewable term insurance. For instance, requiring a medical exam upon renewal would go against the primary advantage of this type of policy, which is its accessibility without additional underwriting. Additionally, renewable term insurance does not typically offer increasing benefits each year or provide a cash surrender value, as those features are more commonly found in whole life or permanent insurance policies. Thus, the ability to extend coverage without needing to demonstrate ongoing insurability stands out as a significant advantage of renewable term insurance.

4. Who owns a stock insurance company?

- A. Policyholders
- B. State government
- C. Stockholders**
- D. Board of Directors

A stock insurance company is owned by stockholders, who can include individuals, institutional investors, and any entity that purchases shares of the company. The primary objective of a stock insurance company is to generate profits, and this often influences its operations and strategic decisions. As ownership is in the hands of stockholders, they have a vested interest in the financial performance of the company, as this affects the value of their shares and the dividends they may receive. This structure differentiates stock insurance companies from mutual insurance companies, which are owned by policyholders. In a stock company, the management and board of directors are accountable to the stockholders and must ensure shareholder interests are aligned with the company's operations. This relationship defines the governance and financial practices within the company. Understanding this ownership structure is essential for grasping how decisions are made in stock insurance companies, particularly regarding profit distribution, investment strategies, and overall company objectives.

5. Which of the following is NOT a responsibility of the Commissioner of Insurance?

A. Setting premium rates

B. Issuing licenses

C. Enforcing insurance laws

D. Conducting hearings

The role of the Commissioner of Insurance is primarily focused on overseeing the insurance industry within the state, which includes enforcing laws, issuing licenses, and conducting hearings related to insurance practices and compliance. However, setting premium rates is generally not a responsibility of the Commissioner. Insurance companies typically have the freedom to establish their own premium rates based on various factors such as risk assessment and market conditions. While the Commissioner can review rates for fairness and compliance with state regulations, the actual setting of premium rates is left to the insurance providers themselves. This distinction highlights the regulatory nature of the Commissioner's role as a protector of consumer interests, rather than a direct influence on market pricing strategies.

6. What feature allows a renewable term policy to be extended?

A. Evidence of insurability.

B. Fixed premiums for life.

C. Owner's election to renew.

D. Mandatory medical exam.

The ability to extend a renewable term policy is grounded in the owner's election to renew the policy. This feature is crucial because it grants the policyholder the right to continue the coverage beyond the initial term without having to provide evidence of insurability at the time of renewal. In most renewable term policies, the terms typically allow the renewal of coverage at the end of each term period, which can be beneficial for the policyholder, especially if their health has declined since the inception of the policy. The option to renew usually comes with adjusted premiums that reflect the insured's age at the time of renewal but does not require a new application or medical underwriting. While evidence of insurability, fixed premiums for life, and mandatory medical exams may be relevant in various other insurance contexts or types of policies, they do not specifically pertain to the mechanics of renewing a renewable term policy. The core feature for extending coverage hinges on the owner's clear right to elect renewal, making this the accurate choice for the question.

7. What are "non-participating" policies?

- A. Policies that receive dividends based on the insurer's performance
- B. Policies that do not share in the insurer's profits and do not pay dividends to policyholders**
- C. Policies that combine both term and whole life insurance features
- D. Policies that are limited to specific health conditions

Non-participating policies are characterized by the fact that they do not share in the profits of the insurance company, which means they do not pay dividends to policyholders. This lack of dividends is a key feature that distinguishes non-participating policies from participating ones, which do allow policyholders to receive dividends based on the insurer's financial performance and profitability. By opting for a non-participating policy, policyholders typically receive a lower premium compared to participating policies since they forfeit the potential for profit-sharing. These policies tend to be more straightforward and predictable in terms of benefits and costs, making them appealing for individuals who prefer not to deal with the complexities associated with dividends and performance-based returns. While other types of policies may involve elements like shared profits or unique combinations of features, non-participating policies remain focused on fixed benefits, allowing individuals to have clear expectations regarding their coverage without the uncertainty that might accompany performance-linked gains.

8. In Texas, who oversees all insurance transactions and regulations?

- A. The Governor
- B. The Department of Insurance**
- C. The State Legislature
- D. The Insurance Advisory Board

In Texas, the Department of Insurance is the agency responsible for overseeing all insurance transactions and regulations. This department manages the enforcement of insurance laws and regulations, ensuring that companies and agents comply with state statutes. It plays a crucial role in protecting consumers by monitoring the insurance industry, licensing insurers and agents, approving policy forms, and investigating consumer complaints. The Department of Insurance is essential in maintaining the integrity of the insurance market within the state, making it the correct choice for this question. The other options do not hold the same regulatory power specific to insurance. The Governor may have some influence over state agencies and regulations but does not directly oversee insurance matters. The State Legislature creates laws, but the execution and oversight of those laws in the context of insurance are delegated to the Department of Insurance. The Insurance Advisory Board may provide guidance or recommendations, but it does not have the regulatory authority that the Department of Insurance possesses. Therefore, the Department of Insurance is the primary body accountable for regulation and oversight in the insurance sector in Texas.

9. What is required to present to an applicant during a policy replacement?

- A. A detailed financial analysis**
- B. A NOTICE REGARDING REPLACEMENT signed by both the applicant and producer**
- C. An insurance policy summary**
- D. A list of potential new insurers**

In the context of policy replacement, a NOTICE REGARDING REPLACEMENT is crucial because it serves to protect the interests of both the applicant and the insurer. This notice is designed to ensure that the consumer is fully informed about the implications of replacing an existing life insurance policy with a new one. When a producer presents this notice, it must be signed by both the applicant and the producer to confirm that the details have been discussed and understood. This process highlights transparency and ethical conduct within the insurance industry, allowing the applicant to weigh their options carefully before making a decision. The need for such a notice is often mandated by state regulations to promote consumer protection, ensuring that clients are not taken advantage of through the replacement process. While other options, such as financial analyses, policy summaries, and lists of potential new insurers, can provide valuable information to the applicant, they do not hold the same regulatory significance as the signed notice. The notice specifically addresses the act of replacement, which is why it is required during this process.

10. What is one important consideration when selecting a life insurance policy?

- A. The coverage amount should be based solely on monthly premiums**
- B. The type of insurance should align with the individual's long-term financial goals**
- C. The policy must be purchased in person through a broker**
- D. The insured must provide medical documentation at all times**

Selecting a life insurance policy involves careful consideration of how well the type of insurance aligns with the individual's long-term financial goals. This is crucial because life insurance is not just about providing a death benefit; it can also serve multiple purposes such as accumulating cash value, providing income protection for dependents, or contributing to retirement planning. By understanding the individual's financial objectives—whether it's to ensure their family's financial stability, pay off debts, or leave a legacy—one can choose a policy that provides adequate coverage and fits well with their overall financial strategy. For instance, a whole life policy might be more suitable for someone interested in cash accumulation and lifetime coverage, while a term life policy may better serve someone looking for affordable coverage for a specific period. In contrast, focusing solely on monthly premiums, requiring in-person purchases, or demanding constant medical documentation does not address the broader financial needs that life insurance should fulfill for the policyholder and their beneficiaries.

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://texaslifeinsurance.examzify.com>

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