

# TEXAS LIFE INSURANCE PRACTICE EXAM (SAMPLE)

## STUDY GUIDE



## SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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<https://texaslifeinsurance.examzify.com>



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# Table of Contents

|                             |    |
|-----------------------------|----|
| Copyright .....             | 1  |
| Table of Contents .....     | 2  |
| Introduction .....          | 3  |
| How to Use This Guide ..... | 4  |
| Questions .....             | 5  |
| Answers .....               | 8  |
| Explanations .....          | 10 |
| Next Steps .....            | 16 |

SAMPLE

# 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 must an insurance company establish before offering coverage?**
  - A. Loss reserves
  - B. Underwriting guidelines
  - C. A marketing strategy
  - D. A compliance team
- 2. 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
- 3. What is a policy loan in the context of life insurance?**
  - A. A loan taken against the cash value of a permanent life insurance policy
  - B. A loan that must be repaid annually to keep a policy active
  - C. A loan provided by the insurer for purchasing additional coverage
  - D. A loan that can only be taken after the death of the insured
- 4. Which premium payment frequency typically results in the highest premium costs?**
  - A. Quarterly
  - B. Semi-Annual
  - C. Monthly
  - D. Annual
- 5. How may policyholders benefit from a "preferred risk underwriting class"?**
  - A. By being reviewed annually for premium increases
  - B. By receiving lower premium rates for better health
  - C. By gaining automatic policy upgrades
  - D. By having fewer coverage options available

- 6. What does the Fair Credit Reporting Act protect consumers against?**
- A. Active credit monitoring
  - B. Circulation of inaccurate or obsolete information
  - C. Unauthorized changes to their accounts
  - D. Higher insurance premiums
- 7. In addition to being a citizen, what is another requirement for the Texas Commissioner of Insurance?**
- A. Must have a family member in the insurance industry
  - B. Must be well-informed in legal matters
  - C. Must be qualified in insurance and regulation
  - D. Must have published articles on insurance
- 8. What are representations in the context of insurance applications?**
- A. Guaranteed statements made by the insurance company
  - B. Statements believed to be true but not guaranteed to be true
  - C. Statements made by brokers that are always accurate
  - D. Declarations of policy limits and coverage
- 9. How does reinsurance function in the insurance industry?**
- A. It allows individual policyholders to mitigate risks.
  - B. It is insurance that insurance companies purchase to share risks.
  - C. It represents a type of policy that offers higher premiums.
  - D. It applies only to health insurance providers.
- 10. What type of insurance product is designed to provide a level death benefit until the insured reaches age 100?**
- A. Term Life Insurance
  - B. Whole Life Insurance
  - C. Single Premium
  - D. Universal Life Insurance

## **Answers**

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

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## **Explanations**

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## 1. What must an insurance company establish before offering coverage?

- A. Loss reserves
- B. Underwriting guidelines**
- C. A marketing strategy
- D. A compliance team

*Before an insurance company can offer coverage, it is crucial to establish underwriting guidelines. Underwriting guidelines are essential as they determine the criteria used to assess the risk factors associated with potential policyholders. These guidelines help the insurer evaluate whether to accept an application for insurance, what terms to offer, and how much premium to charge. By using underwriting guidelines, the insurer can effectively categorize applicants, ensuring that those with higher risk are either charged higher premiums or possibly denied coverage altogether. This process safeguards the financial stability of the insurance company by maintaining a balanced risk pool. Establishing loss reserves, while important for an insurance company's financial health in terms of paying future claims, comes after coverage has been offered and is more about risk management and financial planning. A marketing strategy, although vital for attracting clients, does not directly influence the underwriting process. Similarly, a compliance team is essential for meeting regulatory requirements but is not fundamental to the initial offering of insurance coverage. Focusing on underwriting guidelines is the critical step to ensure the company can thoughtfully manage the risks associated with providing insurance coverage.*

## 2. 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.*

### 3. What is a policy loan in the context of life insurance?

- A. A loan taken against the cash value of a permanent life insurance policy
- B. A loan that must be repaid annually to keep a policy active
- C. A loan provided by the insurer for purchasing additional coverage
- D. A loan that can only be taken after the death of the insured

*In the context of life insurance, a policy loan refers specifically to a loan taken against the cash value of a permanent life insurance policy. Permanent life insurance, such as whole life or universal life policies, builds cash value over time. This cash value can be accessed by the policyholder through a loan. When a policyholder takes out a policy loan, they are borrowing money from the insurer using their accumulated cash value as collateral. This is beneficial because it allows individuals to access funds without needing to undergo a credit check or provide additional documentation. Importantly, the loan does not require repayment on a specified schedule; however, any unpaid loan amount, along with interest, will be deducted from the death benefit if it is not repaid before the policyholder passes away. The other choices do not align with the definition of a policy loan. For instance, the requirement of annual repayment or the context of purchasing additional coverage does not apply, as policy loans utilize the existing cash value and do not impose an annual repayment requirement. Additionally, loans that can only be taken after the death of the insured mischaracterize how policy loans function, as they are designed for access during the policyholder's lifetime.*

### 4. Which premium payment frequency typically results in the highest premium costs?

- A. Quarterly
- B. Semi-Annual
- C. Monthly
- D. Annual

*When examining premium payment frequencies, monthly payments usually result in the highest overall cost compared to other payment schedules. This is primarily due to the increased administrative costs and the additional risk that insurers take on when allowing for more frequent payments. In order to offset these costs and risks, insurance companies typically charge higher premiums for monthly payment plans. In contrast, annual payment plans provide a lower total premium because the insurer receives the entire year's premium upfront, thus reducing ongoing administrative costs and risks associated with payment collection. Similarly, semi-annual and quarterly payment plans also average lower overall costs than monthly plans, as they require fewer transactions and less administrative overhead. Therefore, choosing to pay premiums monthly can lead to higher total expenses for the policyholder compared to paying annually, semi-annually, or quarterly.*

## 5. How may policyholders benefit from a "preferred risk underwriting class"?

- A. By being reviewed annually for premium increases
- B. By receiving lower premium rates for better health**
- C. By gaining automatic policy upgrades
- D. By having fewer coverage options available

A "preferred risk underwriting class" is a category within life insurance underwriting that evaluates applicants based on their overall health and lifestyle attributes. Individuals who fall into this class typically demonstrate a lower risk of mortality compared to standard applicants, often due to their healthier lifestyle choices, such as not smoking, maintaining a regular exercise routine, and having no significant medical history. The primary benefit for policyholders in this class is receiving lower premium rates. Insurance companies use actuarial data to assess the likelihood of a claim being made, and those in the preferred risk class are deemed less likely to require benefits to be paid out. As a result, insurers reward these lower-risk policyholders with reduced premium costs, making life insurance more affordable for them. Conversely, other answer choices do not align with the benefits associated with a preferred risk underwriting class. Annual reviews for premium increases do not provide a direct benefit of being part of the preferred risk class, as lower premiums are a more distinct advantage. Automatic policy upgrades do not typically relate to the risk classification system; instead, upgrades are based on different factors such as changing policies or insurers. Lastly, having fewer coverage options would not be an advantage but rather a limitation, which contrasts with the aim of providing a favorable experience for those classified

## 6. What does the Fair Credit Reporting Act protect consumers against?

- A. Active credit monitoring
- B. Circulation of inaccurate or obsolete information**
- C. Unauthorized changes to their accounts
- D. Higher insurance premiums

The Fair Credit Reporting Act (FCRA) is designed to protect consumers by ensuring the accuracy, fairness, and privacy of information in the files of consumer reporting agencies. The correct answer, which focuses on the circulation of inaccurate or obsolete information, reflects one of the core principles of the FCRA. This law mandates that consumers have the right to access their credit reports, dispute inaccuracies, and seek corrections for any incorrect or outdated information that may affect their credit rating and access to credit. The FCRA aims to minimize the risk of consumers suffering from negative consequences due to erroneous data being disseminated by credit reporting agencies. This protection is especially critical because inaccurate credit information can lead to denied loan applications or unfavorable interest rates, directly impacting a consumer's financial well-being.

**7. In addition to being a citizen, what is another requirement for the Texas Commissioner of Insurance?**

- A. Must have a family member in the insurance industry
- B. Must be well-informed in legal matters
- C. Must be qualified in insurance and regulation**
- D. Must have published articles on insurance

*The role of the Texas Commissioner of Insurance is critically important, and the qualifications for this position are established to ensure that the individual can effectively oversee and regulate the insurance industry within the state. Being qualified in insurance and regulation means the Commissioner should possess substantial knowledge and experience in both insurance practices and the legal frameworks that govern them. This qualification ensures that the Commissioner can make informed decisions about policy, enforcement, and the overall administration of the state's insurance laws. Expertise in insurance and regulatory matters equips the Commissioner to address complex issues that arise in the insurance industry and to protect consumers while ensuring that companies operate fairly and within the law. The other options, while they may carry some relevance, do not specifically align with the core competencies required for this high-level regulatory position. For instance, having a family member in the insurance industry does not inherently indicate the individual's capability or understanding of the industry's complexities. Legal knowledge can be beneficial but is part of the broader requirement encompassed in being well-qualified in insurance and regulation. Similarly, while published articles may reflect expertise, they are not a mandatory qualification for the role. Thus, being qualified in both insurance and its regulatory framework is fundamental for the duties expected of the Texas Commissioner of Insurance.*

**8. What are representations in the context of insurance applications?**

- A. Guaranteed statements made by the insurance company
- B. Statements believed to be true but not guaranteed to be true**
- C. Statements made by brokers that are always accurate
- D. Declarations of policy limits and coverage

*In the context of insurance applications, representations are statements made by the applicant that they believe to be true, but these statements are not guaranteed to be accurate. This means that while the applicant does their best to provide honest and accurate information about their health, history, or other relevant factors, there is always a possibility that some details may be subjective or unknowingly misrepresented. The nature of representations in insurance is crucial because they form the basis upon which the insurance company assesses risk and decides on coverage. Should it later be found that a representation was incorrect or misleading, the implications can affect claims and the validity of the policy. Understanding that these statements are not absolute guarantees emphasizes the importance of providing as accurate information as possible during the application process. This distinction between representations and guarantees is key in the underwriting process and helps to clarify the responsibilities of both the insurer and the insured.*

## 9. How does reinsurance function in the insurance industry?

- A. It allows individual policyholders to mitigate risks.
- B. It is insurance that insurance companies purchase to share risks.**
- C. It represents a type of policy that offers higher premiums.
- D. It applies only to health insurance providers.

*Reinsurance is a crucial component of the insurance industry that allows insurance companies to manage their risk more effectively. By purchasing reinsurance, insurance companies can share portions of their risk with other insurers, which helps to mitigate the financial burden that arises from large claims or an unexpected number of claims. When an insurance company issues policies, it assumes the risk of paying out claims to policyholders. However, if there are numerous claims or particularly large claims, this could threaten the insurer's financial stability. Reinsurance provides a safety net by allowing insurers to transfer some of that risk to another party, known as the reinsurer. This arrangement enables primary insurers to take on more business than they typically would and protects them from catastrophic losses. The other choices do not accurately describe the primary function of reinsurance. Individual policyholders do not directly use reinsurance as a tool to manage their personal risks, nor does reinsurance inherently involve higher premiums. Also, it is not limited to health insurance providers; reinsurance is utilized across all segments of the insurance market, including life, property, and casualty insurance. Thus, the idea that it applies only to health insurance providers is misleading.*

## 10. What type of insurance product is designed to provide a level death benefit until the insured reaches age 100?

- A. Term Life Insurance
- B. Whole Life Insurance**
- C. Single Premium
- D. Universal Life Insurance

*The correct answer is whole life insurance. This type of insurance product is specifically structured to offer a level death benefit that remains consistent throughout the life of the policyholder, up until the age of 100. Whole life insurance not only provides the death benefit but also incorporates a savings component, allowing the policy to accumulate cash value over time. Term life insurance, on the other hand, is designed to provide coverage for a specific period, usually ranging from 10 to 30 years, and does not accumulate cash value. Single premium refers to a payment structure rather than a type of insurance product, typically associated with whole life insurance, where a single lump sum payment is made. Universal life insurance offers flexible premiums and death benefits but does not guarantee that a death benefit will remain level until the insured reaches a specific age like 100. Therefore, whole life insurance is uniquely suited to meet the criteria detailed in the question.*

## 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](mailto: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!

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