

Texas PLW 2026 Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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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 is a Non-Admitted Insurer?**
 - A. An insurer that is authorized to transact business in this state.**
 - B. An insurer that has not sought approval or has not been able to obtain approval to transact business in this state from the Commissioner (Director) of Insurance.**
 - C. A mutual insurer owned by policyowners.**
 - D. An insurer that only underwrites reinsurance.**

- 2. Under federal law, which describes who qualifies as a dependent child for coverage?**
 - A. Only natural children**
 - B. Only adopted children**
 - C. Natural, adopted, married or unmarried children up to age 26**
 - D. Only full-time students**

- 3. Which statement about dividends is true in the Accumulate at Interest concept?**
 - A. Dividends are paid out to the policyowner each year as cash.**
 - B. Dividends are retained by the insurer and the interest on dividends is compounded annually.**
 - C. Dividends are taxed as ordinary income.**
 - D. Dividends are not paid.**

- 4. What is the effect of choosing Extended Term as a nonforfeiture option?**
 - A. It extends the term without changing the death benefit.**
 - B. It converts to a whole life policy with reduced cash value.**
 - C. It terminates the policy entirely.**
 - D. It uses the policy's cash value to purchase term insurance for the same death benefit for as long as possible.**

- 5. Which statement is true about absolute assignment?**
 - A. It is a temporary transfer of rights.**
 - B. It transfers ownership, is permanent, and the full policy amount is assigned.**
 - C. It transfers only the cash value.**
 - D. It requires no signature from the owner.**

- 6. What does a Certificate of Insurance document?**
- A. Evidence of coverage under a group insurance plan.**
 - B. The master policy document.**
 - C. A receipt for premium payment.**
 - D. A notice of policy termination.**
- 7. When does a life policy typically go into effect?**
- A. Immediately upon application submission.**
 - B. Only after the initial premium is paid and receipt issued.**
 - C. After underwriting approval only.**
 - D. After a 30-day waiting period.**
- 8. Which statement about unanswered questions on an application after policy issue is correct?**
- A. They are considered waived by the insurer.**
 - B. They require a formal amendment to the policy.**
 - C. They are never considered.**
 - D. They are grounds for rescission.**
- 9. Which statement best describes an irrevocable beneficiary?**
- A. An irrevocable beneficiary has a vested interest in policy benefits.**
 - B. Irrevocable beneficiaries can be removed at any time without consent.**
 - C. An irrevocable beneficiary has no rights to changes in the policy.**
 - D. Irrevocable beneficiaries must be the owner of the policy.**
- 10. Life Policy Settlement Options provide distributions other than lump sum, for a period or lifetime. Which option describes this?**
- A. Lump sum only**
 - B. Distributions over a period or lifetime**
 - C. Death benefit only to beneficiary**
 - D. Cash value withdrawal only**

Answers

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

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Explanations

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1. What is a Non-Admitted Insurer?

- A. An insurer that is authorized to transact business in this state.
- B. An insurer that has not sought approval or has not been able to obtain approval to transact business in this state from the Commissioner (Director) of Insurance.**
- C. A mutual insurer owned by policyowners.
- D. An insurer that only underwrites reinsurance.

Non-admitted insurers are those that have not been authorized by the state to transact insurance. In Texas, an insurer that has not sought approval or has not been able to obtain approval to transact business in this state from the Commissioner (Director) of Insurance is non-admitted. This is the defining feature that sets them apart from admitted, licensed carriers that are authorized and regulated. Non-admitted carriers are typically used when the coverage isn't available from admitted carriers and are accessed through surplus lines arrangements, with different regulatory oversight and tax implications. The other options describe types of insurers that are actually admitted, not admitted, or focused on reinsurance, which is why they aren't correct for defining a non-admitted insurer.

2. Under federal law, which describes who qualifies as a dependent child for coverage?

- A. Only natural children
- B. Only adopted children
- C. Natural, adopted, married or unmarried children up to age 26**
- D. Only full-time students

Dependents for coverage are defined by age limits and relationship. The key rule is that a dependent child can be covered up to age 26, and this includes natural and adopted children, with the option for coverage regardless of whether the child is married or unmarried. That's why including natural or adopted children and allowing for both married and unmarried status up to 26 makes this option the best fit. In practice, other qualifying relationships like stepchildren or foster children are also covered in many federal plans, but the essential point is the up-to-26 age cap combined with the defined family relationships. The other options are too narrow, excluding either natural or adopted children or tying coverage to a narrower circumstance like being a full-time student.

3. Which statement about dividends is true in the Accumulate at Interest concept?

- A. Dividends are paid out to the policyowner each year as cash.**
- B. Dividends are retained by the insurer and the interest on dividends is compounded annually.**
- C. Dividends are taxed as ordinary income.**
- D. Dividends are not paid.**

When a policy uses accumulate at interest, the dividends aren't paid out as cash. Instead, the insurer keeps the dividends and credits interest on that amount, with the interest compounded annually. This means the dividend funds grow inside the policy, increasing the cash value over time and leaving you the option to withdraw or borrow later. This description matches the accumulate at interest feature precisely, whereas paying dividends in cash, taxing the dividends, or not paying dividends would describe different scenarios.

4. What is the effect of choosing Extended Term as a nonforfeiture option?

- A. It extends the term without changing the death benefit.**
- B. It converts to a whole life policy with reduced cash value.**
- C. It terminates the policy entirely.**
- D. It uses the policy's cash value to purchase term insurance for the same death benefit for as long as possible.**

Extended Term uses the policy's cash value to buy term life protection for the same death benefit, lasting as long as that cash value can fund it. In this option, the death benefit stays equal to the original amount, but the coverage becomes term rather than permanent. The term length isn't indefinite—the bigger the cash value, the longer the term can be, but it will eventually end when the funds run out. This is why it's described as using the cash value to purchase term insurance for the same benefit for as long as possible.

5. Which statement is true about absolute assignment?

- A. It is a temporary transfer of rights.**
- B. It transfers ownership, is permanent, and the full policy amount is assigned.**
- C. It transfers only the cash value.**
- D. It requires no signature from the owner.**

Absolute assignment means permanently transferring all ownership rights of a life insurance policy to someone else. The new owner gains full control over the policy—designating beneficiaries, borrowing against it, surrendering it, and receiving the proceeds—regardless of any prior arrangements. It's a lasting change, typically involving the full policy value, and the original owner must sign to make the transfer. This isn't a temporary transfer, it isn't limited to the cash value, and it requires the owner's signature to take effect.

6. What does a Certificate of Insurance document?

- A. Evidence of coverage under a group insurance plan.**
- B. The master policy document.**
- C. A receipt for premium payment.**
- D. A notice of policy termination.**

A Certificate of Insurance is evidence that someone is covered under a group insurance policy. It's a document issued to the insured (often the employee or member) that confirms there is active coverage and shows key details like the insured's name, the policy number, the type of coverage, the effective date, and any limits or riders. It's not the master policy itself, which is the full contract between the insurer and the policyholder. It also isn't a receipt for premium payments or a notice that coverage has ended—those would be a premium bill or a termination notice. So the COI serves as proof that the coverage exists and is in force.

7. When does a life policy typically go into effect?

- A. Immediately upon application submission.**
- B. Only after the initial premium is paid and receipt issued.**
- C. After underwriting approval only.**
- D. After a 30-day waiting period.**

The policy goes into effect once the insurer has received the first premium and issued a receipt. The premium payment is the consideration that binds the insurance contract, and the receipt confirms the policy is in force. Submitting the application alone doesn't create coverage, because the insurer hasn't accepted the offer or collected payment yet. Underwriting is the process to evaluate risk, but coverage isn't active just because it's underwritten. A 30-day waiting period isn't standard for the start of a policy, though some riders or special products might have delays in specific cases. So the provision begins once the initial premium is paid and a receipt is issued.

8. Which statement about unanswered questions on an application after policy issue is correct?

- A. They are considered waived by the insurer.**
- B. They require a formal amendment to the policy.**
- C. They are never considered.**
- D. They are grounds for rescission.**

The question tests how missing information on an application is treated once a policy has been issued. When a policy is issued and the premium is paid, any questions left unanswered on the application are treated as waived by the insurer. This means the insurer has effectively accepted the risk as it stands, and the contract remains in force despite those blanks. Why this is the best choice: the act of issuing the policy and taking the premium signals the insurer's consent to the terms as they exist, so a blank item cannot later be used to void or alter the contract solely because that information wasn't provided. The other options don't fit because unanswered questions aren't automatically amendable needs (a formal amendment isn't required simply because a blank existed), they aren't "never" considered (there can be under different circumstances), and blanks aren't, by themselves, grounds for rescission.

9. Which statement best describes an irrevocable beneficiary?

A. An irrevocable beneficiary has a vested interest in policy benefits.

B. Irrevocable beneficiaries can be removed at any time without consent.

C. An irrevocable beneficiary has no rights to changes in the policy.

D. Irrevocable beneficiaries must be the owner of the policy.

An irrevocable beneficiary has a vested interest in policy benefits, meaning their right to the proceeds is fixed and cannot be changed without their consent. This protection is what makes the designation irrevocable: the owner cannot alter or remove that beneficiary without approval, so the beneficiary's claim remains secure. The idea that they can be removed at any time without consent isn't accurate, because removing or changing an irrevocable beneficiary requires their agreement. They do have rights related to changes in the policy that would affect their benefits, so saying they have no rights to changes isn't correct. They also don't have to be the policy owner—their role is separate from ownership.

10. Life Policy Settlement Options provide distributions other than lump sum, for a period or lifetime. Which option describes this?

A. Lump sum only

B. Distributions over a period or lifetime

C. Death benefit only to beneficiary

D. Cash value withdrawal only

Distributions over a period or lifetime describes the non-lump-sum ways settlement options pay out. Instead of giving all the death benefit or policy value in one check, these options convert the proceeds into a stream of payments that continue for a set number of years or for the recipient's lifetime. Think of it like turning the death benefit into an annuity-like payout, providing ongoing income rather than a single lump sum. This is the best fit because the question is about options that provide ongoing distributions, not immediate or one-time payouts. Other choices describe outcomes that are not ongoing installments: a lump-sum payment is all at once, a straight death benefit to a beneficiary implies a single payoff, and cash value withdrawals are living-policy actions rather than a post-death installment arrangement.

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://texasplw.examzify.com>

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

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