

PRACTICE EXAM 8: TEXAS LIFE AND HEALTH INSURANCE LICENSE (130 QUESTIONS)

This 130-question Texas-focused practice exam covers 50 life-general questions, 50 health-general questions, and 30 Texas state-specific questions. Select the single best answer. Complete all questions before using the answer key. Confirm current Texas rules against the official outline.

1. A Texas applicant asks: Which life policy is designed to provide lifetime protection with level premiums and a cash value?

- A. Renewable term insurance
- B. Credit life insurance
- C. Decreasing term insurance
- D. Whole life insurance

2. During a licensing review: What feature allows a term life policyholder to exchange coverage for permanent insurance without proving insurability?

- A. A reinstatement provision
- B. A conversion privilege
- C. A grace period provision
- D. A suicide clause

3. Consider this policy scenario: In a level term policy, which element ordinarily stays the same throughout the level period?

- A. The dividend scale
- B. The cash value credit
- C. The death benefit

D. The policy loan rate

4. A producer needs the best response: Which policy type normally has flexible premiums and an adjustable death benefit within contractual limits?

- A. Level term insurance
- B. Universal life insurance
- C. Credit life insurance
- D. Ordinary whole life

5. A Texas applicant asks: A policyowner wants investment choices separated into subaccounts and accepts investment risk. Which policy fits best?

- A. Variable life insurance
- B. Whole life insurance
- C. Decreasing term insurance
- D. Industrial life insurance

6. During a licensing review: What is the principal purpose of a life insurance beneficiary designation?

- A. To determine the premium mode
- B. To name the underwriting class
- C. To set the policy loan rate
- D. To identify who receives proceeds

7. Consider this policy scenario: Which beneficiary designation generally requires the beneficiary's consent before the owner can change it?

- A. A contingent designation
- B. An irrevocable designation
- C. A class designation

D. A revocable designation

8. A producer needs the best response: A contingent beneficiary receives life proceeds when which event occurs?

A. The insurer declares dividends

B. The insured reaches age 65

C. The owner misses a premium

D. The primary beneficiary cannot take

9. A Texas applicant asks: What does a common disaster clause attempt to address?

A. The order of deaths of insureds

B. The agent's commission split

C. The amount of policy dividends

D. The insurer's investment return

10. During a licensing review: Which rider commonly waives premiums if the insured becomes totally disabled as defined in the policy?

A. Guaranteed insurability rider

B. Cost of living rider

C. Waiver of premium rider

D. Accidental death rider

11. Consider this policy scenario: An accidental death rider generally pays an additional benefit when death results from what?

A. A policy loan default

B. A covered accident

C. A normal illness

D. A missed renewal date

12. A producer needs the best response: What is the purpose of a guaranteed insurability rider?

- A. It converts term insurance automatically
- B. It guarantees a fixed dividend each year
- C. It permits stated future purchases without evidence of insurability
- D. It prevents all policy exclusions

13. A Texas applicant asks: Which nonforfeiture option uses cash value to buy the same face amount for a limited period?

- A. Cash surrender value
- B. Automatic premium loan
- C. Reduced paid-up insurance
- D. Extended term insurance

14. During a licensing review: Which nonforfeiture option provides a smaller amount of fully paid permanent insurance?

- A. Reduced paid-up insurance
- B. Extended term insurance
- C. Cash surrender value
- D. Policy reinstatement

15. Consider this policy scenario: What is the basic effect of a policy loan on a cash value life policy?

- A. It reduces available value and can reduce proceeds if unpaid
- B. It guarantees a dividend
- C. It cancels the policy immediately
- D. It creates a new beneficiary

16. A producer needs the best response: What is the usual purpose of an automatic premium loan provision?

- A. To remove the grace period
- B. To convert a term policy
- C. To increase the face amount annually
- D. To use available cash value to pay an overdue premium

17. A Texas applicant asks: In life insurance, insurable interest must generally exist at what point for a policyowner insuring another person?

- A. When the death claim is paid
- B. At every policy anniversary
- C. When the policy is issued
- D. Only at reinstatement

18. During a licensing review: What is the underwriting purpose of a medical information report?

- A. To determine agent licensing
- B. To help evaluate proposed insured risk
- C. To establish a beneficiary's rights
- D. To calculate a policy dividend

19. Consider this policy scenario: Which contract characteristic means the insurer's promise is conditioned on specified events and requirements?

- A. Adhesion
- B. Conditional
- C. Unilateral
- D. Aleatory

20. A producer needs the best response: Which contract characteristic means only the insurer makes a legally enforceable promise to pay?

- A. Bilateral
- B. Commutative
- C. Personal
- D. Unilateral

21. A Texas applicant asks: A life insurance contract is called aleatory because what is exchanged?

- A. A loan for collateral
- B. Identical values on a set date
- C. Unequal values depending on an uncertain event
- D. Only services for services

22. During a licensing review: What does the incontestability provision generally limit after the required period?

- A. The insurer's ability to contest the policy
- B. The owner's ability to borrow
- C. The agent's authority to sell
- D. The beneficiary's choice of settlement

23. Consider this policy scenario: The grace period is intended primarily to do what?

- A. Permit unlimited policy loans
- B. Extend the contestable period
- C. Guarantee policy dividends
- D. Keep coverage in force briefly after a premium due date

24. A producer needs the best response: Which provision restores a lapsed life policy when the owner meets stated requirements?

- A. Spendthrift clause
- B. Consideration clause
- C. Reinstatement provision
- D. Misstatement of age clause

25. A Texas applicant asks: If an insured's age was misstated, how are benefits commonly handled?

- A. The policy is automatically void
- B. They are adjusted to the correct age
- C. The beneficiary is changed
- D. They are always paid at face amount

26. During a licensing review: What is the purpose of a spendthrift clause?

- A. To limit a beneficiary's ability to assign proceeds before payment
- B. To increase cash value growth
- C. To waive an overdue premium
- D. To protect policy dividends from tax

27. Consider this policy scenario: Which settlement option typically provides payments for as long as the named payee lives?

- A. Lump sum option
- B. Life income option
- C. Fixed period option
- D. Interest only option

28. A producer needs the best response: Under an interest-only settlement option, what is commonly paid to the beneficiary?

- A. A reduced paid-up benefit
- B. Only policy dividends
- C. Interest earned while principal remains with the insurer
- D. The entire face amount immediately

29. A Texas applicant asks: A participating policy may provide which feature?

- A. Policy dividends
- B. Guaranteed market gains
- C. Unlimited loans without interest
- D. Automatic conversion to term

30. During a licensing review: Which dividend option uses dividends to purchase small amounts of fully paid permanent insurance?

- A. Premium reduction
- B. Accumulation at interest
- C. Cash payment
- D. Paid-up additions

31. Consider this policy scenario: What is a Modified Endowment Contract primarily known for?

- A. Different tax treatment of distributions and loans
- B. No cash value accumulation
- C. A mandatory annual dividend
- D. A guaranteed death benefit increase

32. A producer needs the best response: Which business life insurance use funds the purchase of a deceased owner's business interest?

- A. Key person protection
- B. Group conversion
- C. Buy-sell funding
- D. Credit life coverage

33. A Texas applicant asks: What is key person life insurance intended to protect against?

- A. A lender's property loss
- B. Financial loss from a crucial employee's death
- C. Loss of a beneficiary's income
- D. An employee's medical expenses

34. During a licensing review: In a group life plan, the document issued to the employer is usually called what?

- A. A binder
- B. A certificate of authority
- C. An individual policy
- D. A master policy

35. Consider this policy scenario: What proof does a covered employee ordinarily receive under group life insurance?

- A. A policy loan agreement
- B. An insurer charter
- C. A certificate of coverage
- D. A replacement notice

36. A producer needs the best response: Which group life feature permits a departing employee to obtain individual coverage under stated conditions?

- A. War exclusion
- B. Conversion privilege
- C. Incontestability clause
- D. Automatic loan provision

37. A Texas applicant asks: What is the primary reason insurers use risk classifications?

- A. To group applicants with similar expected mortality
- B. To select beneficiaries
- C. To determine settlement options
- D. To guarantee equal premiums for everyone

38. During a licensing review: Which classification generally reflects the lowest expected mortality and lowest premium?

- A. Standard
- B. Substandard
- C. Declined
- D. Preferred

39. Consider this policy scenario: What does a conditional receipt generally depend on?

- A. Whether the owner selects installments
- B. Whether a beneficiary accepts proceeds
- C. Whether dividends are declared
- D. Whether stated underwriting conditions are satisfied

40. A producer needs the best response: What happens when a life policy is assigned absolutely?

- A. Ownership rights are transferred to the assignee
- B. The premium is waived
- C. The cash value is surrendered
- D. The beneficiary becomes irrevocable

41. A Texas applicant asks: Which life policy provision identifies the entire agreement between the parties?

- A. Suicide provision
- B. Entire contract provision
- C. Grace period provision
- D. Misstatement of age provision

42. During a licensing review: The suicide clause commonly limits the insurer's liability during what period?

- A. Only during conversion
- B. Every policy anniversary
- C. An initial stated policy period
- D. Only after reinstatement

43. Consider this policy scenario: Which policy is often used to cover a temporary mortgage balance that declines over time?

- A. Straight life insurance
- B. Endowment insurance
- C. Variable whole life insurance
- D. Decreasing term insurance

44. A producer needs the best response: What does renewable term insurance allow at the end of a term?

- A. Renewal without evidence of insurability
- B. Cash value withdrawal without tax
- C. Conversion only after disability
- D. A guaranteed dividend payment

45. A Texas applicant asks: Which life insurance premium mode usually produces the lowest total annual outlay, all else equal?

- A. Semiannual premium payment
- B. Annual premium payment
- C. Monthly premium payment
- D. Quarterly premium payment

46. During a licensing review: What is the policyowner's consideration in a life insurance contract?

- A. The beneficiary's consent
- B. Premium payment and application statements
- C. The agent's appointment
- D. The insurer's claim payment

47. Consider this policy scenario: Which rider is designed to increase a benefit when the insured dies because of a covered accident?

- A. Payor benefit rider
- B. Term conversion rider
- C. Accidental death rider
- D. Impairment rider

48. A producer needs the best response: What is the purpose of a return-of-premium term design?

- A. It may return specified premiums if the insured survives the term
- B. It waives all underwriting
- C. It guarantees cash value each year
- D. It pays dividends to all owners

49. A Texas applicant asks: A life policy lapse occurs most directly when what happens?

- A. The insured changes occupation
- B. The insurer pays a dividend
- C. Required premium is not paid by the end of grace period
- D. The beneficiary changes address

50. During a licensing review: Which source of underwriting information is typically requested from an applicant's physician with authorization?

- A. A beneficiary report
- B. A group certificate
- C. A policy illustration
- D. An attending physician statement

51. Consider this policy scenario: Which health policy provision limits coverage for a condition that existed before the policy effective date?

- A. Preexisting condition provision
- B. Free-look provision
- C. Incontestability provision
- D. Entire contract provision

52. A producer needs the best response: What is a deductible in a health insurance policy?

- A. The portion paid after coinsurance

- B. The annual premium credit
- C. The maximum amount an insurer will pay
- D. The amount paid by the insured before benefits begin

53. A Texas applicant asks: Coinsurance usually requires the insured to do what after the deductible?

- A. Pay every expense in full
- B. Wait through a new elimination period
- C. Share a stated percentage of covered expenses
- D. Use only emergency care

54. During a licensing review: What is an out-of-pocket maximum designed to limit?

- A. The agent's commission
- B. The insured's covered cost sharing for a period
- C. The policy's face amount
- D. The insurer's investment loss

55. Consider this policy scenario: Which plan feature encourages use of contracted providers through lower member costs?

- A. A disability buyout
- B. A policy loan clause
- C. A conversion privilege
- D. A preferred provider network

56. A producer needs the best response: An HMO commonly emphasizes which approach to care?

- A. Coordinated care through a network
- B. Cash value accumulation
- C. Indemnity for any expense

D. Life income settlement

57. A Texas applicant asks: What is a gatekeeper role in many managed care plans?

- A. Naming beneficiaries
- B. Collecting life policy premiums
- C. Coordinating referrals to specialists
- D. Approving policy loans

58. During a licensing review: Which policy commonly pays a stated amount per day of hospital confinement?

- A. Medicare supplement policy
- B. Hospital indemnity policy
- C. Disability income policy
- D. Major medical policy

59. Consider this policy scenario: What is the primary purpose of a major medical policy?

- A. To provide a life death benefit
- B. To guarantee a pension income
- C. To insure a mortgage balance
- D. To cover broad medical expenses subject to plan terms

60. A producer needs the best response: A disability income policy is designed chiefly to replace what?

- A. Employer payroll taxes
- B. Lost earned income from disability
- C. Medical provider charges
- D. Life insurance cash value

61. A Texas applicant asks: What is an elimination period in disability income insurance?

- A. The waiting period before benefits begin
- B. The period before a claim is filed
- C. The period for policy delivery
- D. The time allowed to reinstate a policy

62. During a licensing review: A residual disability benefit is intended for an insured who has what?

- A. A total loss of life coverage
- B. A claim denied for fraud
- C. A partial loss of income after disability
- D. A loan against cash value

63. Consider this policy scenario: What does own-occupation disability language generally focus on?

- A. Need for a specialist referral
- B. Ability to perform the insured's own occupation
- C. Ability to work any job at all
- D. Need for hospital confinement

64. A producer needs the best response: Which rider is intended to protect a disability income benefit from inflation?

- A. Guaranteed insurability rider
- B. Payor benefit rider
- C. Cost of living adjustment rider
- D. Accidental death rider

65. A Texas applicant asks: What is a health policy's probationary period most commonly used for?

- A. Delaying coverage for sickness for a stated initial time
- B. Extending coverage after cancellation
- C. Increasing benefit limits each year
- D. Determining life policy dividends

66. During a licensing review: What is the purpose of a coordination of benefits provision?

- A. To set a life settlement option
- B. To determine beneficiary order
- C. To establish underwriting class
- D. To prevent duplicate payment when multiple plans cover a loss

67. Consider this policy scenario: Subrogation permits a health insurer to do what after paying a covered loss?

- A. Change the insured's occupation
- B. Seek recovery from a responsible third party
- C. Convert the policy to life insurance
- D. Cancel all future coverage

68. A producer needs the best response: What does the notice of claim provision require?

- A. Prompt notice to the insurer after a loss
- B. Automatic payment of every bill
- C. A beneficiary designation
- D. A policy loan repayment

69. A Texas applicant asks: Proof of loss generally supplies what to the insurer?

- A. A cash value statement
- B. A new premium rate
- C. Documentation supporting the claim
- D. An agent appointment

70. During a licensing review: Which provision allows an insurer to examine an insured at its expense when reasonably necessary?

- A. Change of beneficiary provision
- B. Misstatement of age provision
- C. Grace period provision
- D. Physical examination and autopsy provision

71. Consider this policy scenario: What is a blanket health policy usually written to cover?

- A. A group exposed to a common risk without naming each person
- B. One individual and dependents only
- C. A single employer's executives only
- D. A lender and borrower only

72. A producer needs the best response: A group health certificate is delivered to whom?

- A. The insurer's shareholders
- B. The state insurance commissioner
- C. The group policyholder's beneficiary
- D. Each covered employee or member

73. A Texas applicant asks: COBRA continuation coverage is associated primarily with which setting?

- A. Medicare supplement plans
- B. Certain employer-sponsored group health plans

- C. Credit life policies
- D. Individual disability policies

74. During a licensing review: What is the general purpose of Medicare Part A?

- A. Prescription drug benefits
- B. Physician and outpatient benefits
- C. Hospital insurance benefits
- D. Medicare supplement benefits

75. Consider this policy scenario: What is the general purpose of Medicare Part B?

- A. Life insurance conversion
- B. Medical insurance for physician and outpatient services
- C. Hospital room and board only
- D. Long-term custodial care only

76. A producer needs the best response: Medicare Part D is associated with which benefit category?

- A. Dental-only coverage
- B. Disability income coverage
- C. Prescription drug coverage
- D. Hospital indemnity coverage

77. A Texas applicant asks: A Medicare supplement policy is designed to do what?

- A. Replace all Medicare eligibility rules
- B. Provide employer-sponsored coverage
- C. Guarantee long-term custodial care
- D. Help pay certain Medicare cost-sharing gaps

78. During a licensing review: Long-term care insurance primarily addresses assistance with what?

- A. Chronic care and activities of daily living
- B. Investment account losses
- C. Temporary property damage
- D. Mortgage payoff at death

79. Consider this policy scenario: Which is commonly an activity of daily living?

- A. Managing a portfolio
- B. Operating machinery
- C. Bathing
- D. Driving to work

80. A producer needs the best response: What is a benefit period in a health policy?

- A. The time allowed to pay a premium
- B. The policy delivery window
- C. The agent's appointment term
- D. The maximum time benefits may be payable for a covered condition

81. A Texas applicant asks: What does a lifetime maximum represent in a health plan, if included?

- A. The date a policy must convert
- B. The highest cumulative benefit payable under stated terms
- C. The minimum deductible owed each year
- D. The number of dependents covered

82. During a licensing review: A specified disease policy typically provides benefits for what?

- A. Conditions named in the policy
- B. Only workplace injuries
- C. Only dental services
- D. All medical conditions without limits

83. Consider this policy scenario: What does a dental plan's usual, customary, and reasonable provision address?

- A. The insured's life expectancy
- B. The amount recognized for a covered service
- C. The policy loan interest rate
- D. The group conversion deadline

84. A producer needs the best response: Which type of health coverage is designed to pay for accidental injuries?

- A. Accident-only policy
- B. Deferred annuity
- C. Whole life policy
- D. Medicare supplement policy

85. A Texas applicant asks: What is the purpose of a free-look period in an individual health policy?

- A. To renew without evidence of insurability
- B. To establish a new deductible
- C. To waive all future premiums
- D. To allow review and return under stated conditions

86. During a licensing review: What does a guaranteed renewable health policy generally require of the insurer?

- A. Keep each premium permanently level
- B. Accept every new applicant
- C. Renew coverage subject to class-wide rate changes
- D. Pay every claim without review

87. Consider this policy scenario: A noncancelable health policy gives the insured which protection during the stated period?

- A. The insurer must add dependents
- B. The insured may change any benefit at will
- C. The insurer cannot cancel or raise the individual premium
- D. The policy builds life cash value

88. A producer needs the best response: What is a limited benefit health policy?

- A. A policy that pays only life proceeds
- B. Coverage with restricted benefits or specified services
- C. A group policy with unlimited benefits
- D. Coverage with no exclusions

89. A Texas applicant asks: Which provision commonly prevents overinsurance by allocating payment among insurers?

- A. Change of occupation provision
- B. Grace period provision
- C. Insuring clause
- D. Other insurance provision

90. During a licensing review: What is the main role of a utilization review program?

- A. Evaluate medical service use for necessity and appropriateness

- B. Create agent licenses
- C. Set life insurance beneficiaries
- D. Determine policy loans

91. Consider this policy scenario: A health savings account is generally paired with what kind of plan?

- A. A Medicare supplement policy
- B. A hospital indemnity policy
- C. A qualifying high-deductible health plan
- D. A whole life policy

92. A producer needs the best response: What is the primary purpose of an HSA?

- A. To pay qualified medical expenses with tax-advantaged funds
- B. To guarantee health claims
- C. To replace disability income
- D. To fund life policy dividends

93. A Texas applicant asks: Which managed care arrangement typically pays providers a fixed amount per enrolled person?

- A. Conversion arrangement
- B. Capitation arrangement
- C. Indemnity arrangement
- D. Coinsurance arrangement

94. During a licensing review: What is a copayment?

- A. A return of unused premium
- B. An insurer's policy loan charge
- C. A percentage of a life death benefit

D. A fixed amount the member pays for a covered service

95. Consider this policy scenario: Which term refers to a provider who has contracted with a health plan?

- A. Contingent beneficiary
- B. Participating provider
- C. Policyowner
- D. Certificate holder

96. A producer needs the best response: What is the purpose of a health insurance exclusion?

- A. To create policy cash value
- B. To establish the premium due date
- C. To name a beneficiary
- D. To identify a loss or service the policy does not cover

97. A Texas applicant asks: What is an adverse selection concern for insurers?

- A. All claims have identical costs
- B. Premiums are always refundable
- C. Higher-risk people are more likely to seek coverage
- D. Healthy people never buy insurance

98. During a licensing review: Which provision helps determine whether a health policy is in force when premium is late?

- A. Grace period provision
- B. Incontestability provision
- C. Assignment provision
- D. Change of beneficiary provision

99. Consider this policy scenario: What is the purpose of an insurer's claim form provision?

- A. To identify group sponsors
- B. To set cash value interest
- C. To describe how claim forms are furnished after notice
- D. To permit life policy conversion

100. A producer needs the best response: Which type of policy is designed to cover a small employer's eligible employees?

- A. Credit life insurance
- B. Group health insurance
- C. Annuity contract
- D. Individual life insurance

101. A Texas applicant asks: Which Texas agency regulates the business of insurance in the state?

- A. Texas Department of Insurance
- B. Texas Department of Motor Vehicles
- C. Texas Comptroller of Accounts
- D. Texas Secretary of State

102. During a licensing review: Who is the chief executive officer of the Texas Department of Insurance?

- A. The Governor's chief of staff
- B. The Attorney General
- C. The State Treasurer
- D. The Commissioner of Insurance

103. Consider this policy scenario: A Texas general lines life, accident, health and HMO license authorizes activity in which broad area?

- A. Only securities brokerage
- B. Only real estate brokerage
- C. Only property and casualty insurance
- D. Life, accident, health, and HMO insurance

104. A producer needs the best response: Which act is prohibited when an insurer or agent knowingly makes a false statement about a policy to induce a sale?

- A. Misrepresentation
- B. Indemnification
- C. Subrogation
- D. Assignment

105. A Texas applicant asks: Offering an inducement not stated in the insurance contract to persuade a purchase is generally called what?

- A. Conversion
- B. Rebating
- C. Underwriting
- D. Replacement

106. During a licensing review: What is the general purpose of Texas rules against unfair discrimination in insurance?

- A. To eliminate underwriting entirely
- B. To require every product to be guaranteed issue
- C. To prohibit improper distinctions among risks or individuals
- D. To require identical premiums for all applicants

107. Consider this policy scenario: What is defamation in the insurance trade-practice context?

- A. A valid comparison of policy benefits
- B. A false or malicious statement that harms an insurer or person
- C. A routine explanation of exclusions
- D. A written claim form

108. A producer needs the best response: Which practice involves urging someone to replace coverage by using misleading comparisons?

- A. Twisting
- B. Indemnity
- C. Coinsurance
- D. Subrogation

109. A Texas applicant asks: What does commingling refer to in an insurance agency context?

- A. Collecting a premium by check
- B. Depositing funds in a trust account
- C. Sharing a commission with a licensed agent
- D. Improperly mixing premium funds with personal or business funds

110. During a licensing review: An insurer's certificate of authority indicates what?

- A. A producer's personal license
- B. A customer's proof of coverage
- C. Authorization to transact insurance in Texas
- D. A beneficiary's right to proceeds

111. Consider this policy scenario: A domestic insurer is generally organized under the laws of which jurisdiction?

- A. Any county in Texas
- B. Another U.S. state only
- C. Texas, when operating as a Texas domestic insurer
- D. A foreign country only

112. A producer needs the best response: A foreign insurer is generally organized under the laws of what?

- A. A foreign nation only
- B. The federal government only
- C. Texas only
- D. Another U.S. state or territory

113. A Texas applicant asks: An alien insurer is generally organized under the laws of what?

- A. A country outside the United States
- B. Texas only
- C. Another U.S. state
- D. A Texas county

114. During a licensing review: What is the principal purpose of insurance producer licensing?

- A. To replace insurer appointments
- B. To ensure persons transacting insurance meet legal requirements
- C. To set every insurer's premium rates
- D. To guarantee policy benefits

115. Consider this policy scenario: What is an insurer appointment used to establish?

- A. The policy's cash value
- B. The insurer's certificate of authority
- C. The consumer's beneficiary designation
- D. The producer's authority to act for that insurer

116. A producer needs the best response: What is a temporary insurance license intended to provide?

- A. Permanent authority without examination
- B. Limited authority for a defined temporary situation
- C. Automatic authority to sell all lines
- D. Authority to transact only securities

117. A Texas applicant asks: What is a cease and desist order intended to require?

- A. Stopping a prohibited practice
- B. Changing a beneficiary
- C. Paying a policy dividend
- D. Extending a grace period

118. During a licensing review: A Texas insurer or agent that engages in fraud may face what type of consequence?

- A. An automatic appointment
- B. A policy loan credit
- C. Administrative and other legal penalties
- D. Guaranteed renewal rights

119. Consider this policy scenario: What does the Texas Life and Health Insurance Guaranty Association generally address?

- A. Guaranteed investment gains for every policy

- B. Producer education requirements
- C. Certain protections if a covered member insurer becomes impaired
- D. Automatic claim approval

120. A producer needs the best response: Why must marketing materials avoid false advertising?

- A. It makes all contracts bilateral
- B. It can mislead consumers about insurance terms or benefits
- C. It prevents insurers from underwriting
- D. It eliminates policy exclusions

121. A Texas applicant asks: An agent's fiduciary-type duty concerning premiums mainly requires what?

- A. Guaranteeing policy dividends
- B. Choosing every beneficiary
- C. Payment of all claims personally
- D. Proper handling and remittance of funds

122. During a licensing review: What is controlled business generally concerned with?

- A. Insurance written primarily on the producer or closely related interests
- B. Group insurance sold through an employer
- C. Coverage sold by an HMO
- D. Business life insurance funding

123. Consider this policy scenario: When an agent replaces a life policy, what is a key compliance concern?

- A. Changing the insurer's domicile
- B. Automatically increasing the face amount

- C. Waiving policy contestability
- D. Following replacement duties and providing required disclosures

124. A producer needs the best response: What is the purpose of an examination of insurer records by the regulator?

- A. To create policy cash value
- B. To assess compliance and financial or market conduct matters
- C. To select health providers
- D. To determine a beneficiary's age

125. A Texas applicant asks: Which trade practice involves an agreement to withhold business in order to force a party to act?

- A. Assignment
- B. Conversion
- C. Boycott
- D. Capitation

126. During a licensing review: Why are unfair claims practices regulated?

- A. To require fair and timely claim handling
- B. To permit misrepresentation
- C. To guarantee every claim is paid
- D. To eliminate proof-of-loss requirements

127. Consider this policy scenario: What is the purpose of a producer's continuing compliance obligations?

- A. To determine mortality tables
- B. To replace beneficiary designations

- C. To maintain adherence to licensing and insurance laws
- D. To set health plan deductibles

128. A producer needs the best response: An insurance transaction generally includes what type of activity?

- A. Soliciting, negotiating, or selling insurance
- B. Only paying a claim
- C. Only investing insurer assets
- D. Only issuing a driver's license

129. A Texas applicant asks: Which statement best describes a Texas HMO's basic role?

- A. It regulates other insurers
- B. It issues only life insurance
- C. It serves solely as a bank
- D. It arranges or provides health care services through a managed system

130. During a licensing review: Why should an applicant receive a clear explanation of policy exclusions and limitations?

- A. So underwriting is eliminated
- B. So the applicant can make an informed insurance decision
- C. So cash value is guaranteed
- D. So the policy becomes a security

Practice Exam 8: Answer Key and Explanations

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116. B — The keyed option is correct because it identifies the insurance principle that governs this fact pattern. Match the question wording to the policy feature, coverage purpose, or regulatory duty involved. Each distractor is a real insurance term, but it applies to a different contract feature, product, or outcome and does not resolve this question.

117. A — The keyed option is correct because it identifies the insurance principle that governs this fact pattern. Match the question wording to the policy feature, coverage purpose, or regulatory duty involved. Each distractor is a real insurance term, but it applies to a different contract feature, product, or outcome and does not resolve this question.

118. C — The keyed option is correct because it identifies the insurance principle that governs this fact pattern. Match the question wording to the policy feature, coverage purpose, or regulatory duty

involved. Each distractor is a real insurance term, but it applies to a different contract feature, product, or outcome and does not resolve this question.

119. C — The keyed option is correct because it identifies the insurance principle that governs this fact pattern. Match the question wording to the policy feature, coverage purpose, or regulatory duty involved. Each distractor is a real insurance term, but it applies to a different contract feature, product, or outcome and does not resolve this question.

120. B — The keyed option is correct because it identifies the insurance principle that governs this fact pattern. Match the question wording to the policy feature, coverage purpose, or regulatory duty involved. Each distractor is a real insurance term, but it applies to a different contract feature, product, or outcome and does not resolve this question.

121. D — The keyed option is correct because it identifies the insurance principle that governs this fact pattern. Match the question wording to the policy feature, coverage purpose, or regulatory duty involved. Each distractor is a real insurance term, but it applies to a different contract feature, product, or outcome and does not resolve this question.

122. A — The keyed option is correct because it identifies the insurance principle that governs this fact pattern. Match the question wording to the policy feature, coverage purpose, or regulatory duty involved. Each distractor is a real insurance term, but it applies to a different contract feature, product, or outcome and does not resolve this question.

123. D — The keyed option is correct because it identifies the insurance principle that governs this fact pattern. Match the question wording to the policy feature, coverage purpose, or regulatory duty involved. Each distractor is a real insurance term, but it applies to a different contract feature, product, or outcome and does not resolve this question.

124. B — The keyed option is correct because it identifies the insurance principle that governs this fact pattern. Match the question wording to the policy feature, coverage purpose, or regulatory duty involved. Each distractor is a real insurance term, but it applies to a different contract feature, product, or outcome and does not resolve this question.

125. C — The keyed option is correct because it identifies the insurance principle that governs this fact pattern. Match the question wording to the policy feature, coverage purpose, or regulatory duty involved. Each distractor is a real insurance term, but it applies to a different contract feature, product, or outcome and does not resolve this question.

126. A — The keyed option is correct because it identifies the insurance principle that governs this fact pattern. Match the question wording to the policy feature, coverage purpose, or regulatory duty involved. Each distractor is a real insurance term, but it applies to a different contract feature, product, or outcome and does not resolve this question.

127. C — The keyed option is correct because it identifies the insurance principle that governs this fact pattern. Match the question wording to the policy feature, coverage purpose, or regulatory duty

involved. Each distractor is a real insurance term, but it applies to a different contract feature, product, or outcome and does not resolve this question.

128. A — The keyed option is correct because it identifies the insurance principle that governs this fact pattern. Match the question wording to the policy feature, coverage purpose, or regulatory duty involved. Each distractor is a real insurance term, but it applies to a different contract feature, product, or outcome and does not resolve this question.

129. D — The keyed option is correct because it identifies the insurance principle that governs this fact pattern. Match the question wording to the policy feature, coverage purpose, or regulatory duty involved. Each distractor is a real insurance term, but it applies to a different contract feature, product, or outcome and does not resolve this question.

130. B — The keyed option is correct because it identifies the insurance principle that governs this fact pattern. Match the question wording to the policy feature, coverage purpose, or regulatory duty involved. Each distractor is a real insurance term, but it applies to a different contract feature, product, or outcome and does not resolve this question.