

PRACTICE EXAM 9: TEXAS LIFE AND HEALTH INSURANCE LICENSE (130 QUESTIONS)

This Texas-focused practice exam contains 130 questions: 50 life-general, 50 health-general, and 30 Texas state-specific questions. Choose the single best answer. Finish the exam before reviewing the answer key and confirm current rules against the official Texas outline.

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

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

2. In an exam scenario: What feature allows a term life policyholder to exchange coverage for permanent insurance without proving insurability?

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

3. A licensed agent is asked: In a level term policy, which element ordinarily stays the same throughout the level period?

- A. The cash value credit
- B. The policy loan rate
- C. The dividend scale

D. The death benefit

4. Choose the best policy explanation: Which policy type normally has flexible premiums and an adjustable death benefit within contractual limits?

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

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

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

6. In an exam scenario: What is the principal purpose of a life insurance beneficiary designation?

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

7. A licensed agent is asked: Which beneficiary designation generally requires the beneficiary's consent before the owner can change it?

- A. A class designation
- B. A revocable designation
- C. A contingent designation

D. An irrevocable designation

8. Choose the best policy explanation: A contingent beneficiary receives life proceeds when which event occurs?

- A. The insured reaches age 65
- B. The primary beneficiary cannot take
- C. The owner misses a premium
- D. The insurer declares dividends

9. An applicant reviews a policy: What does a common disaster clause attempt to address?

- A. The order of deaths of insureds
- B. The amount of policy dividends
- C. The insurer's investment return
- D. The agent's commission split

10. In an exam scenario: Which rider commonly waives premiums if the insured becomes totally disabled as defined in the policy?

- A. Cost of living rider
- B. Accidental death rider
- C. Waiver of premium rider
- D. Guaranteed insurability rider

11. A licensed agent is asked: An accidental death rider generally pays an additional benefit when death results from what?

- A. A covered accident
- B. A normal illness
- C. A missed renewal date

D. A policy loan default

12. Choose the best policy explanation: What is the purpose of a guaranteed insurability rider?

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

13. An applicant reviews a policy: Which nonforfeiture option uses cash value to buy the same face amount for a limited period?

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

14. In an exam scenario: Which nonforfeiture option provides a smaller amount of fully paid permanent insurance?

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

15. A licensed agent is asked: What is the basic effect of a policy loan on a cash value life policy?

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

16. Choose the best policy explanation: What is the usual purpose of an automatic premium loan provision?

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

17. An applicant reviews a policy: In life insurance, insurable interest must generally exist at what point for a policyowner insuring another person?

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

18. In an exam scenario: What is the underwriting purpose of a medical information report?

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

19. A licensed agent is asked: Which contract characteristic means the insurer's promise is conditioned on specified events and requirements?

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

20. Choose the best policy explanation: Which contract characteristic means only the insurer makes a legally enforceable promise to pay?

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

21. An applicant reviews a policy: A life insurance contract is called aleatory because what is exchanged?

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

22. In an exam scenario: What does the incontestability provision generally limit after the required period?

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

23. A licensed agent is asked: The grace period is intended primarily to do what?

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

24. Choose the best policy explanation: Which provision restores a lapsed life policy when the owner meets stated requirements?

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

25. An applicant reviews a policy: If an insured's age was misstated, how are benefits commonly handled?

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

26. In an exam scenario: What is the purpose of a spendthrift clause?

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

27. A licensed agent is asked: Which settlement option typically provides payments for as long as the named payee lives?

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

28. Choose the best policy explanation: Under an interest-only settlement option, what is commonly paid to the beneficiary?

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

29. An applicant reviews a policy: A participating policy may provide which feature?

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

30. In an exam scenario: Which dividend option uses dividends to purchase small amounts of fully paid permanent insurance?

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

31. A licensed agent is asked: What is a Modified Endowment Contract primarily known for?

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

32. Choose the best policy explanation: Which business life insurance use funds the purchase of a deceased owner's business interest?

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

33. An applicant reviews a policy: What is key person life insurance intended to protect against?

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

34. In an exam scenario: In a group life plan, the document issued to the employer is usually called what?

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

35. A licensed agent is asked: What proof does a covered employee ordinarily receive under group life insurance?

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

36. Choose the best policy explanation: Which group life feature permits a departing employee to obtain individual coverage under stated conditions?

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

37. An applicant reviews a policy: What is the primary reason insurers use risk classifications?

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

38. In an exam scenario: Which classification generally reflects the lowest expected mortality and lowest premium?

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

39. A licensed agent is asked: What does a conditional receipt generally depend on?

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

40. Choose the best policy explanation: What happens when a life policy is assigned absolutely?

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

41. An applicant reviews a policy: Which life policy provision identifies the entire agreement between the parties?

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

42. In an exam scenario: The suicide clause commonly limits the insurer's liability during what period?

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

43. A licensed agent is asked: Which policy is often used to cover a temporary mortgage balance that declines over time?

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

44. Choose the best policy explanation: What does renewable term insurance allow at the end of a term?

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

45. An applicant reviews a policy: Which life insurance premium mode usually produces the lowest total annual outlay, all else equal?

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

46. In an exam scenario: What is the policyowner's consideration in a life insurance contract?

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

47. A licensed agent is asked: Which rider is designed to increase a benefit when the insured dies because of a covered accident?

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

48. Choose the best policy explanation: What is the purpose of a return-of-premium term design?

- A. It guarantees cash value each year

- B. It may return specified premiums if the insured survives the term
- C. It pays dividends to all owners
- D. It waives all underwriting

49. An applicant reviews a policy: A life policy lapse occurs most directly when what happens?

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

50. In an exam scenario: Which source of underwriting information is typically requested from an applicant's physician with authorization?

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

51. A licensed agent is asked: Which health policy provision limits coverage for a condition that existed before the policy effective date?

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

52. Choose the best policy explanation: What is a deductible in a health insurance policy?

- A. The annual premium credit
- B. The maximum amount an insurer will pay

- C. The amount paid by the insured before benefits begin
- D. The portion paid after coinsurance

53. An applicant reviews a policy: Coinsurance usually requires the insured to do what after the deductible?

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

54. In an exam scenario: What is an out-of-pocket maximum designed to limit?

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

55. A licensed agent is asked: Which plan feature encourages use of contracted providers through lower member costs?

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

56. Choose the best policy explanation: An HMO commonly emphasizes which approach to care?

- A. Coordinated care through a network
- B. Indemnity for any expense
- C. Life income settlement

D. Cash value accumulation

57. An applicant reviews a policy: What is a gatekeeper role in many managed care plans?

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

58. In an exam scenario: Which policy commonly pays a stated amount per day of hospital confinement?

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

59. A licensed agent is asked: What is the primary purpose of a major medical policy?

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

60. Choose the best policy explanation: A disability income policy is designed chiefly to replace what?

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

61. An applicant reviews a policy: What is an elimination period in disability income insurance?

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

62. In an exam scenario: A residual disability benefit is intended for an insured who has what?

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

63. A licensed agent is asked: What does own-occupation disability language generally focus on?

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

64. Choose the best policy explanation: Which rider is intended to protect a disability income benefit from inflation?

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

65. An applicant reviews a policy: What is a health policy's probationary period most commonly used for?

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

66. In an exam scenario: What is the purpose of a coordination of benefits provision?

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

67. A licensed agent is asked: Subrogation permits a health insurer to do what after paying a covered loss?

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

68. Choose the best policy explanation: What does the notice of claim provision require?

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

69. An applicant reviews a policy: Proof of loss generally supplies what to the insurer?

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

70. In an exam scenario: Which provision allows an insurer to examine an insured at its expense when reasonably necessary?

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

71. A licensed agent is asked: What is a blanket health policy usually written to cover?

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

72. Choose the best policy explanation: A group health certificate is delivered to whom?

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

73. An applicant reviews a policy: COBRA continuation coverage is associated primarily with which setting?

- A. Credit life policies

- B. Certain employer-sponsored group health plans
- C. Individual disability policies
- D. Medicare supplement plans

74. In an exam scenario: What is the general purpose of Medicare Part A?

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

75. A licensed agent is asked: What is the general purpose of Medicare Part B?

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

76. Choose the best policy explanation: Medicare Part D is associated with which benefit category?

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

77. An applicant reviews a policy: A Medicare supplement policy is designed to do what?

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

78. In an exam scenario: Long-term care insurance primarily addresses assistance with what?

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

79. A licensed agent is asked: Which is commonly an activity of daily living?

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

80. Choose the best policy explanation: What is a benefit period in a health policy?

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

81. An applicant reviews a policy: What does a lifetime maximum represent in a health plan, if included?

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

82. In an exam scenario: A specified disease policy typically provides benefits for what?

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

83. A licensed agent is asked: What does a dental plan's usual, customary, and reasonable provision address?

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

84. Choose the best policy explanation: Which type of health coverage is designed to pay for accidental injuries?

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

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

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

86. In an exam scenario: What does a guaranteed renewable health policy generally require of the insurer?

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

87. A licensed agent is asked: A noncancelable health policy gives the insured which protection during the stated period?

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

88. Choose the best policy explanation: What is a limited benefit health policy?

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

89. An applicant reviews a policy: Which provision commonly prevents overinsurance by allocating payment among insurers?

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

90. In an exam scenario: What is the main role of a utilization review program?

- A. Evaluate medical service use for necessity and appropriateness
- B. Set life insurance beneficiaries
- C. Determine policy loans
- D. Create agent licenses

91. A licensed agent is asked: A health savings account is generally paired with what kind of plan?

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

92. Choose the best policy explanation: What is the primary purpose of an HSA?

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

93. An applicant reviews a policy: Which managed care arrangement typically pays providers a fixed amount per enrolled person?

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

94. In an exam scenario: What is a copayment?

- A. An insurer's policy loan charge
- B. A percentage of a life death benefit
- C. A return of unused premium
- D. A fixed amount the member pays for a covered service

95. A licensed agent is asked: Which term refers to a provider who has contracted with a health plan?

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

96. Choose the best policy explanation: What is the purpose of a health insurance exclusion?

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

97. An applicant reviews a policy: What is an adverse selection concern for insurers?

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

98. In an exam scenario: Which provision helps determine whether a health policy is in force when premium is late?

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

99. A licensed agent is asked: What is the purpose of an insurer's claim form provision?

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

100. Choose the best policy explanation: Which type of policy is designed to cover a small employer's eligible employees?

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

101. An applicant reviews a policy: Which Texas agency regulates the business of insurance in the state?

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

102. In an exam scenario: Who is the chief executive officer of the Texas Department of Insurance?

- A. The Attorney General

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

103. A licensed agent is asked: A Texas general lines life, accident, health and HMO license authorizes activity in which broad area?

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

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

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

105. An applicant reviews a policy: Offering an inducement not stated in the insurance contract to persuade a purchase is generally called what?

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

106. In an exam scenario: What is the general purpose of Texas rules against unfair discrimination in insurance?

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

107. A licensed agent is asked: What is defamation in the insurance trade-practice context?

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

108. Choose the best policy explanation: Which practice involves urging someone to replace coverage by using misleading comparisons?

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

109. An applicant reviews a policy: What does commingling refer to in an insurance agency context?

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

110. In an exam scenario: An insurer's certificate of authority indicates what?

- A. A customer's proof of coverage
- B. A beneficiary's right to proceeds

- C. A producer's personal license
- D. Authorization to transact insurance in Texas

111. A licensed agent is asked: A domestic insurer is generally organized under the laws of which jurisdiction?

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

112. Choose the best policy explanation: A foreign insurer is generally organized under the laws of what?

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

113. An applicant reviews a policy: An alien insurer is generally organized under the laws of what?

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

114. In an exam scenario: What is the principal purpose of insurance producer licensing?

- A. To set every insurer's premium rates
- B. To guarantee policy benefits
- C. To replace insurer appointments

D. To ensure persons transacting insurance meet legal requirements

115. A licensed agent is asked: What is an insurer appointment used to establish?

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

116. Choose the best policy explanation: What is a temporary insurance license intended to provide?

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

117. An applicant reviews a policy: What is a cease and desist order intended to require?

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

118. In an exam scenario: A Texas insurer or agent that engages in fraud may face what type of consequence?

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

119. A licensed agent is asked: What does the Texas Life and Health Insurance Guaranty Association generally address?

- A. Certain protections if a covered member insurer becomes impaired
- B. Producer education requirements
- C. Automatic claim approval
- D. Guaranteed investment gains for every policy

120. Choose the best policy explanation: Why must marketing materials avoid false advertising?

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

121. An applicant reviews a policy: An agent's fiduciary-type duty concerning premiums mainly requires what?

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

122. In an exam scenario: What is controlled business generally concerned with?

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

123. A licensed agent is asked: When an agent replaces a life policy, what is a key compliance concern?

- A. Automatically increasing the face amount
- B. Waiving policy contestability
- C. Changing the insurer's domicile
- D. Following replacement duties and providing required disclosures

124. Choose the best policy explanation: What is the purpose of an examination of insurer records by the regulator?

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

125. An applicant reviews a policy: Which trade practice involves an agreement to withhold business in order to force a party to act?

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

126. In an exam scenario: Why are unfair claims practices regulated?

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

127. A licensed agent is asked: What is the purpose of a producer's continuing compliance obligations?

- A. To replace beneficiary designations
- B. To set health plan deductibles
- C. To maintain adherence to licensing and insurance laws
- D. To determine mortality tables

128. Choose the best policy explanation: An insurance transaction generally includes what type of activity?

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

129. An applicant reviews a policy: Which statement best describes a Texas HMO's basic role?

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

130. In an exam scenario: Why should an applicant receive a clear explanation of policy exclusions and limitations?

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

Practice Exam 9: Answer Key and Explanations

- 1. A** — The keyed option is correct because it is the insurance concept that directly answers the stated scenario. Identify the contract feature, coverage role, or regulatory requirement being tested. The other choices may sound relevant, yet each refers to a different insurance product, policy provision, or consequence and therefore does not answer this particular question.
- 2. D** — The keyed option is correct because it is the insurance concept that directly answers the stated scenario. Identify the contract feature, coverage role, or regulatory requirement being tested. The other choices may sound relevant, yet each refers to a different insurance product, policy provision, or consequence and therefore does not answer this particular question.
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114. D — The keyed option is correct because it is the insurance concept that directly answers the stated scenario. Identify the contract feature, coverage role, or regulatory requirement being tested. The other choices may sound relevant, yet each refers to a different insurance product, policy provision, or consequence and therefore does not answer this particular question.

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116. A — The keyed option is correct because it is the insurance concept that directly answers the stated scenario. Identify the contract feature, coverage role, or regulatory requirement being tested. The other choices may sound relevant, yet each refers to a different insurance product, policy provision, or consequence and therefore does not answer this particular question.

117. D — The keyed option is correct because it is the insurance concept that directly answers the stated scenario. Identify the contract feature, coverage role, or regulatory requirement being tested. The other choices may sound relevant, yet each refers to a different insurance product, policy provision, or consequence and therefore does not answer this particular question.

118. C — The keyed option is correct because it is the insurance concept that directly answers the stated scenario. Identify the contract feature, coverage role, or regulatory requirement being tested. The other choices may sound relevant, yet each refers to a different insurance product, policy provision, or consequence and therefore does not answer this particular question.

119. A — The keyed option is correct because it is the insurance concept that directly answers the stated scenario. Identify the contract feature, coverage role, or regulatory requirement being tested. The other choices may sound relevant, yet each refers to a different insurance product, policy provision, or consequence and therefore does not answer this particular question.

120. C — The keyed option is correct because it is the insurance concept that directly answers the stated scenario. Identify the contract feature, coverage role, or regulatory requirement being tested. The other choices may sound relevant, yet each refers to a different insurance product, policy provision, or consequence and therefore does not answer this particular question.

121. B — The keyed option is correct because it is the insurance concept that directly answers the stated scenario. Identify the contract feature, coverage role, or regulatory requirement being tested. The other choices may sound relevant, yet each refers to a different insurance product, policy provision, or consequence and therefore does not answer this particular question.

122. D — The keyed option is correct because it is the insurance concept that directly answers the stated scenario. Identify the contract feature, coverage role, or regulatory requirement being tested. The other choices may sound relevant, yet each refers to a different insurance product, policy provision, or consequence and therefore does not answer this particular question.

123. D — The keyed option is correct because it is the insurance concept that directly answers the stated scenario. Identify the contract feature, coverage role, or regulatory requirement being tested. The other choices may sound relevant, yet each refers to a different insurance product, policy provision, or consequence and therefore does not answer this particular question.

124. B — The keyed option is correct because it is the insurance concept that directly answers the stated scenario. Identify the contract feature, coverage role, or regulatory requirement being tested. The other choices may sound relevant, yet each refers to a different insurance product, policy provision, or consequence and therefore does not answer this particular question.

125. A — The keyed option is correct because it is the insurance concept that directly answers the stated scenario. Identify the contract feature, coverage role, or regulatory requirement being tested. The other choices may sound relevant, yet each refers to a different insurance product, policy provision, or consequence and therefore does not answer this particular question.

126. C — The keyed option is correct because it is the insurance concept that directly answers the stated scenario. Identify the contract feature, coverage role, or regulatory requirement being tested. The other choices may sound relevant, yet each refers to a different insurance product, policy provision, or consequence and therefore does not answer this particular question.

127. C — The keyed option is correct because it is the insurance concept that directly answers the stated scenario. Identify the contract feature, coverage role, or regulatory requirement being tested. The other choices may sound relevant, yet each refers to a different insurance product, policy provision, or consequence and therefore does not answer this particular question.

128. B — The keyed option is correct because it is the insurance concept that directly answers the stated scenario. Identify the contract feature, coverage role, or regulatory requirement being tested. The other choices may sound relevant, yet each refers to a different insurance product, policy provision, or consequence and therefore does not answer this particular question.

129. A — The keyed option is correct because it is the insurance concept that directly answers the stated scenario. Identify the contract feature, coverage role, or regulatory requirement being tested. The other choices may sound relevant, yet each refers to a different insurance product, policy provision, or consequence and therefore does not answer this particular question.

130. D — The keyed option is correct because it is the insurance concept that directly answers the stated scenario. Identify the contract feature, coverage role, or regulatory requirement being tested. The other choices may sound relevant, yet each refers to a different insurance product, policy provision, or consequence and therefore does not answer this particular question.