FREE SAMPLE

Texas Life and Health Insurance License Exam Study Guide 2026-2027

For the Texas Life Agent exam and the General Lines Life, Accident and Health exam, first try or retake.

In this sample

- The contents of the full book.
- The opening page of Chapter 1, as printed in the book.
- Ten practice questions with their answers, reasons and sources.

The ten questions come from the free Texas practice set on sourcedprep.com. They are not in the book or in the Retake Kit, so the book's own questions stay fresh for you.

The full book

285 pages: 22 chapters, 301 drill questions with their answers right under them, 4 practice exams with answer keys, a quick reference and a 21-day study plan. Every answer is explained, with its source or basis. PDF and EPUB at sourcedprep.com.

Independent study aid. Not affiliated with or endorsed by any exam provider or government agency. The questions are original; they are not questions from the exam.

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Chapter 1: Whole life and its interest-sensitive and variable relatives

Whole life and its variations

Whole life is permanent insurance. TDI's glossary explains that it lasts as long as you live, unless you stop paying the premiums or surrender the policy for its cash.

One state's consumer page lists four features of traditional whole life: coverage for life, a premium that does not change while the policy stays in force, cash value that builds over time, and possible dividends when the policy is a participating policy. The same page says some variations of whole life are exceptions to the fixed-premium feature.

Texas rules define a participating life insurance policy as one that provides for possible policyholder dividends. The word "possible" is the point.

TDI explains that some whole life policies might pay a dividend each year. The owner can choose to receive it as cash, leave it to build the cash value, or apply it toward premiums. Dividends are not guaranteed, and yours could come in lower than the company's projection. TDI suggests asking the company, before you buy, for a history of projected dividends compared with dividends actually paid.

Only a small part of each whole life premium builds cash value, according to the Illinois page. The rest pays for the cost of insurance and the expense of keeping the policy going. Cash value is the amount refunded if you cancel and surrender the policy. At the insured's death, the beneficiary receives the face amount, and the cash value is part of that amount rather than an extra payment.

Cash value has costs and limits. Cash value grows slowly, over a period of years. An early withdrawal might trigger a surrender fee. Taking out more than you paid in premiums will probably be taxed. Taking out all of the cash value can lead the company to cancel the policy: the coverage ends, and your taxes could be affected. Permanent premiums run higher than term premiums because of the savings feature and the longer period of coverage.

The Illinois page describes four variations of whole life. The table shows how each one is built.

VARIATION	HOW IT IS BUILT	SOURCE
Modified premium	The premium starts lower and rises at a specified time. The page gives the usual timing as a later policy year such as year 5, 10, 15 or 20. The face value stays the same.	Illinois DOI page: buying life insurance, Variations of Whole Life Policies, para. 1
Limited payment	The policy is paid up after a set number of years or at a set age, such as 60 or 65. Coverage stays in force and no more premiums are due.	Illinois DOI page: buying life insurance, Variations of Whole Life Policies, para. 2
Endowment	The policy has a maturity date. If the insured is living then, the policy owner gets the benefit. If the insured dies first, the beneficiary gets it.	Illinois DOI page: buying life insurance, Variations of Whole Life Policies, para. 3
Single premium	The whole premium is paid in one lump sum at purchase, and protection lasts for life. TDI calls it a type of limited-payment policy with only one premium payment.	Illinois DOI page: buying life insurance, Variations of Whole Life Policies, para. 4; TDI Health insurance glossary (updated 11/8/2024), Single-premium whole life policy, para. 1

TEN PRACTICE QUESTIONS

Try ten questions

Pick one answer for each. The answers, with the reason and the source, follow the questions.

1. A client's permanent life policy ties its cash value growth to sub-accounts the client picks, which hold stocks, bonds, or both. What does TDI say about that cash value?

A. It stays fixed at the figure shown when the policy was first issued
B. It can only grow, because the insurer absorbs every investment loss
C. It may go up or down, depending on how the sub-accounts perform
D. It matches the total premiums paid, whatever the sub-accounts earn

2. A term policyholder worries that worsening health might make new coverage hard to get later. What does TDI say a convertibility feature lets the policyholder do?

A. Exchange the term policy for a permanent one with no medical exam or health questions
B. Exchange the term policy for a permanent one only after passing a fresh medical exam
C. Keep the term policy and add permanent coverage with no rise in premium
D. Extend the same term policy for another term whatever the person's health

3. A life policy has been in force for two years from its issue date, and the insured is still living. For which listed reason may the insurer still contest the policy?

A. Nonpayment of the premiums that were due under the policy
B. A health condition the applicant left off the application
C. A change in the insured's job after the policy was issued
D. A mistake in the beneficiary's name found after two years

4. A producer is submitting a new life policy application. What must go to the insurer along with it?

A. A statement signed by the agent alone about the applicant's health
B. A copy of the applicant's latest tax return, signed by the agent
C. A signed statement from the applicant and agent on existing policies
D. A statement signed by the underwriter about the applicant's age

5. A shop owner with two employees asks what business disability insurance might pay for, according to TDI. Which choice fits?

A. Only the owner's personal medical bills after a covered illness or injury
B. Possibly premises costs, utilities, staff pay and benefits, and property taxes
C. Repairs to the shop after a fire or storm, but none of its running costs
D. Possibly the owner's lost income, though never any of the business expenses

6. A preferred provider is paid on a discounted fee basis. What must the provider's contract say the insured may be billed?

A. The full charge, less whatever the insurer paid the provider
B. The full charge, if the insurer is slow to pay the claim
C. The discounted fee, plus any added amount the provider sets
D. Only the discounted fee that applies, and not the full charge

7. An insurer describes a policy as guaranteed renewable. How does Texas law treat that kind of insurance policy?

A. As a one-year policy that ends unless the insurer chooses to renew it
B. As a continuous policy that the insurer may cancel at any time it wishes
C. As a continuous policy, subject only to its terms, such as premium payment
D. As a temporary policy that ends once the first claim has been paid out

8. A student asks how a person becomes the Texas commissioner of insurance. Which description is correct?

A. Voters elect the commissioner at a statewide general election
B. The senate appoints, with the consent of the governor
C. The attorney general appoints, with the nod of the legislature
D. The governor appoints, with the advice and consent of the senate

9. A Texas agent wants to pay part of a commission to a person who holds no Texas agent license, for services that person performed as an agent. What does Texas law say?

A. It is allowed, if the agent first tells the insurer in writing
B. It is allowed, if the amount paid stays below a set dollar limit
C. It is prohibited, since the person holds no license to act as an agent
D. It is prohibited only when the payment goes straight to that person

10. An HMO wishes to end an enrollee's coverage. On which grounds may it cancel or decline to renew that coverage?

A. Heavy use of services, or a rise in the organization's own costs
B. A change of the enrollee's primary care physician, or a complaint
C. Any reason named in the organization's own contract, with notice given
D. Nonpayment of charges, or another reason set by commissioner rules

ANSWERS

Answers and reasons

1. C. TDI explains that when cash value is tied to sub-accounts invested in stocks, bonds, or both, the value can rise or fall with how those sub-accounts do.

Watch out: The option saying the cash value can only grow ignores the page's point that the value depends on sub-account performance and could go down.

Source: Texas Department of Insurance, Life insurance guide

2. A. TDI describes convertibility as swapping a term policy for a permanent policy without a medical exam or health questions. It adds that converting raises premiums and that companies usually allow it only for a time.

Watch out: Extending the same policy for more terms is renewability, which TDI treats as a separate feature; convertibility moves the owner into permanent coverage and raises the premium.

Source: Texas Department of Insurance, Life insurance guide

3. A. Apart from the optional subsection (b) clause on wartime naval and military service conditions, a life policy in force two years from issue during the insured's lifetime must be incontestable except for nonpayment of premiums. Of the listed reasons, only nonpayment remains.

Watch out: A condition left off the application is not one of the statute's grounds; after two years only nonpayment of premiums remains, plus any wartime military service clause the policy includes.

Source: Tex. Ins. Code sec. 1101.006(a) and (b)

4. C. The agent who initiates the application must submit a statement signed by both the applicant and the agent on whether the applicant has existing policies or contracts.

Watch out: A statement signed by the agent alone fails the rule, which requires both the applicant and the agent to sign.

Source: Tex. Ins. Code sec. 1114.051(a)

5. B. TDI says business disability insurance potentially pays business costs such as costs of the premises, utilities, staff pay and benefits, and property taxes.

Watch out: Limiting it to the owner's own income ignores the page, which lists business expenses the coverage may pay.

Source: Texas Department of Insurance, disability insurance tip

6. D. The preferred provider contract must have the provider agree that, when paid on a discounted fee basis, the insured is billed the discounted fee only.

Watch out: Billing the full charge, even after taking off what the insurer paid, is still billing on the full charge, which the provision rules out; the insured may be billed only on the discounted fee.

Source: Tex. Ins. Code sec. 1301.060

7. C. A guaranteed renewable policy is treated as a continuous policy, subject only to its terms and conditions, including paying the premium.

Watch out: A policy the insurer may cancel at will is not continuous; the statute limits termination to the policy's own terms and conditions.

Source: Tex. Ins. Code sec. 1202.001(a)

8. D. Section 31.022(a) says the governor appoints the commissioner with the advice and consent of the senate, for a two-year term.

Watch out: Reversing the roles gives the senate the appointing power, but the statute puts the governor first and the senate in the advice and consent role.

Source: Tex. Ins. Code sec. 31.022(a)

9. C. An insurer or agent may not pay, directly or indirectly, or accept a commission or other valuable consideration for agent services unless the person holds a license to act as an agent in Texas.

Watch out: Telling the insurer in writing does not cure the problem; the statute turns on whether the person holds an agent license.

Source: Tex. Ins. Code sec. 4005.053(a)

10. D. An HMO may cancel or refuse to renew an enrollee's coverage only for failure to pay the charges or another reason prescribed by commissioner rules.

Watch out: A reason written only into the HMO's own contract is not enough; the other ground must be one prescribed by the commissioner's rules.

Source: Tex. Ins. Code sec. 843.208