

Canadian Accredited Insurance Broker (CAIB) One Practice Exam (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. How is a vacant property defined?

- A. Property where the occupants have moved out but intend to return**
- B. All occupants have moved out with no intention of returning and no new occupants are present**
- C. Property that has been recently sold**
- D. A property that remains frequently rented**

2. What aspect of insurance is usually emphasized to indicate the importance of risk assessment?

- A. The ease of filing claims**
- B. The need for underwriting procedures**
- C. The stability of premium prices**
- D. The speed of policy issuance**

3. Which of the following is a common type of commercial insurance?

- A. Homeowners policy**
- B. Life insurance**
- C. Health insurance**
- D. Business owner's policy (BOP)**

4. What does "common exclusions" refer to in insurance policies?

- A. General terms that all policies must include**
- B. Specific situations or conditions not covered by the policy**
- C. The list of benefits provided under the policy**
- D. Typical underwriting guidelines**

5. What does an insurer issue when both parties agree to a change in policy terms?

- A. A cancellation notice**
- B. An endorsement**
- C. A claim form**
- D. A binder amendment**

6. What could result from failing to report a material change?

- A. Increased premiums by the insurer**
- B. Violation of state insurance laws**
- C. Possible denial of claims by the insurer**
- D. Immediate cancellation of the policy**

7. What does "underwriting" refer to in the insurance industry?

- A. The process of evaluating risk and determining policy terms and premiums**
- B. The review of claims made by policyholders**
- C. The procedures for renewing insurance policies**
- D. The assessment of customer service in insurance companies**

8. Following a fire that destroyed 65% of an apartment building, what type of loss is typically not covered by property insurance?

- A. Damage to physical property**
- B. Loss of rental income**
- C. Replacement costs of the building**
- D. Cost of fire department services**

9. What is a legally enforceable agreement between two or more parties called?

- A. A contract**
- B. An agreement**
- C. A will**
- D. A contract of consideration**

10. Which type of insurance provides coverage for a person's health-related costs?

- A. Property insurance**
- B. Liability insurance**
- C. Health insurance**
- D. Flood insurance**

Answers

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

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Explanations

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1. How is a vacant property defined?

- A. Property where the occupants have moved out but intend to return
- B. All occupants have moved out with no intention of returning and no new occupants are present**
- C. Property that has been recently sold
- D. A property that remains frequently rented

A vacant property is specifically defined as one where all occupants have moved out with no intention of returning and no new occupants are present. This definition highlights the absence of both current residents and any plans for returning, which distinguishes it from other situations such as temporary relocations. In contrast, a property where occupants have moved out but intend to return does not meet the criteria for vacancy, as there is still a connection or expectation of future occupancy. Similarly, a recently sold property may or may not be occupied, and simply selling a property does not equate to it being vacant. Lastly, a property that is frequently rented would not be characterized as vacant at all, since constant occupancy implies the property is in use. Thus, option B clearly captures the essence of what makes a property vacant.

2. What aspect of insurance is usually emphasized to indicate the importance of risk assessment?

- A. The ease of filing claims
- B. The need for underwriting procedures**
- C. The stability of premium prices
- D. The speed of policy issuance

The emphasis on the need for underwriting procedures highlights the critical role that risk assessment plays in the insurance industry. Underwriting is the process by which an insurer evaluates the risk of insuring a particular individual or entity and determines the appropriate premium to charge based on this assessment. A thorough risk assessment allows underwriters to identify the likelihood of a claim occurring and the potential severity of any losses. By understanding the risks associated with insuring a client, insurers can make informed decisions regarding coverage options and pricing. Effective risk assessment helps ensure that policies are both fair to the insured and sustainable for the insurer. This process ultimately contributes to the stability of the overall insurance market, as it helps prevent underpricing or overpricing of premiums that could lead to financial instability. Other aspects, such as the ease of filing claims, the stability of premium prices, and the speed of policy issuance, are important in the context of customer experience, but they do not directly relate to the core function of assessing risk. It is the underwriting procedures driven by risk assessment that fundamentally shape how policies are structured and priced in response to the risks that insurers are willing to accept.

3. Which of the following is a common type of commercial insurance?

- A. Homeowners policy**
- B. Life insurance**
- C. Health insurance**
- D. Business owner's policy (BOP)**

A Business Owner's Policy (BOP) is a common type of commercial insurance designed specifically for small to medium-sized businesses. It bundles multiple insurance coverages into one package to provide comprehensive protection at a more affordable rate compared to purchasing individual policies separately. Typically, a BOP includes property insurance, liability insurance, and business interruption coverage, making it an efficient and effective option for business owners looking to safeguard their operations, assets, and financial stability. Homeowners policies, while vital for personal insurance, are not applicable for commercial enterprises. Life insurance and health insurance serve personal and individual needs rather than commercial requirements. Therefore, the BOP stands out as the appropriate choice in this context, reflecting the specific insurance needs of businesses.

4. What does "common exclusions" refer to in insurance policies?

- A. General terms that all policies must include**
- B. Specific situations or conditions not covered by the policy**
- C. The list of benefits provided under the policy**
- D. Typical underwriting guidelines**

In insurance policies, "common exclusions" refers to specific situations, conditions, or types of losses that the policy does not cover. This is a critical aspect of understanding insurance contracts, as it outlines the boundaries of coverage and informs the policyholder of what risks they remain responsible for even when they hold a policy. Identifying these exclusions helps individuals and businesses manage their expectations regarding claims and coverage, ensuring they understand what is protected and what is not. For example, many standard insurance policies might exclude damage caused by certain natural disasters, acts of war, or pre-existing conditions. By clearly stating these exclusions, insurers reduce the possibility of confusion or disputes between the insured and insurer about what is covered under the policy. Other choices fail to capture the essence of what common exclusions represent in insurance contracts. The notion of general terms that all policies must include does not accurately convey the specific nature of exclusions. Similarly, describing exclusions as the list of benefits provided under the policy misrepresents their function, as exclusions denote what is omitted rather than what is included. Lastly, referencing typical underwriting guidelines does not pertain to the exclusions inherent within the individual policy terms.

5. What does an insurer issue when both parties agree to a change in policy terms?

- A. A cancellation notice
- B. An endorsement**
- C. A claim form
- D. A binder amendment

When both parties agree to a change in policy terms, an insurer issues an endorsement. An endorsement is a document that alters the terms of an existing insurance policy, modifying coverage or conditions as agreed upon by the insurer and the policyholder. This can include adding or removing coverage, changing deductibles, adjusting policy limits, or updating named insureds. Endorsements are essential because they provide a formal record of the adjustments made, ensuring that both the insurer and the insured have a clear understanding of the new terms. This clarity helps prevent disputes in the future regarding what coverage is provided under the policy. The other options listed do not apply in this context. A cancellation notice relates to terminating a policy rather than modifying it. A claim form is used to report a loss and initiate the claims process, not to change policy terms. A binder amendment pertains to temporary coverage agreements that may also change terms, but it is less common than endorsements as a method of updating insurance policy terms. Therefore, the endorsement is the most appropriate answer in the context of modifying policy agreements.

6. What could result from failing to report a material change?

- A. Increased premiums by the insurer
- B. Violation of state insurance laws
- C. Possible denial of claims by the insurer**
- D. Immediate cancellation of the policy

Failing to report a material change can lead to the possible denial of claims by the insurer because insurance contracts are based on the principle of utmost good faith, which requires both parties to disclose all pertinent information. When an insured party fails to disclose significant changes in risk—like changes in property value, usage, or the existence of other insurance—they may be considered to have misrepresented their situation. If a claim arises, the insurer may find that the undisclosed information significantly alters the risk they initially agreed to cover. Thus, they could deny the claim based on the rationale that the insured did not provide a full and accurate picture of their circumstances, which would have affected underwriting decisions. The other options touch on consequences of failing to report a material change. While increased premiums could occur if the insurer recalibrates the risk after being informed, or legal violations may arise depending on jurisdictional laws, the immediate and tangible consequence in the event of a claim is often the denial based on non-disclosure. Cancellation of the policy can occur, but typically insurers will issue warnings or letters before taking such drastic actions following a material change, making denial of claims the more immediate concern associated with such failures in reporting.

7. What does "underwriting" refer to in the insurance industry?

- A. The process of evaluating risk and determining policy terms and premiums**
- B. The review of claims made by policyholders**
- C. The procedures for renewing insurance policies**
- D. The assessment of customer service in insurance companies**

Underwriting in the insurance industry specifically refers to the process of evaluating risk and determining policy terms and premiums. Underwriters assess the risk associated with insuring a person or entity, looking at factors such as their health, driving record, or business operations, depending on the type of insurance. This evaluation helps insurers decide how much coverage to offer and at what price, ensuring that the risk is appropriately managed and that the insurer can remain financially stable. The ability to accurately assess risk is crucial, as it directly affects the insurer's profitability and ability to meet claims. By establishing the terms of coverage, underwriters play a key role in determining the insurer's exposure to potential losses. Through this process, insurers can balance risk with the premium charged, making underwriting fundamental to the insurance model.

8. Following a fire that destroyed 65% of an apartment building, what type of loss is typically not covered by property insurance?

- A. Damage to physical property**
- B. Loss of rental income**
- C. Replacement costs of the building**
- D. Cost of fire department services**

Loss of rental income is typically not covered by standard property insurance policies. While these policies generally cover damage to the physical property, the costs associated with loss of rental income fall under different types of coverage, often needing additional endorsements or separate policies, such as business interruption or rental income insurance. In the event of a fire, property insurance usually addresses the physical destruction of the building and associated replacement costs, ensuring that the property is restored to its pre-loss condition. The costs incurred for fire department services may also not be covered under typical property insurance policies, but they can be a liability if the property owner is responsible for such costs. However, loss of rental income is an important aspect of real estate and can significantly impact the owner, which is why specific coverage must be considered separately. Thus, obtaining additional coverage to protect against loss of rental income is essential for property owners who rent out residential or commercial space.

9. What is a legally enforceable agreement between two or more parties called?

- A. A contract**
- B. An agreement**
- C. A will**
- D. A contract of consideration**

A legally enforceable agreement between two or more parties is recognized as a contract. A contract represents a mutual understanding and commitment that is enforced by law. To qualify as a contract, the agreement typically includes essential elements such as an offer, acceptance, consideration, and the intention to create legal relations. This makes contracts a fundamental element in business and legal transactions, providing security and clarity for the parties involved. An agreement, while it may signify a mutual understanding, does not necessarily encompass the legal enforceability that characterizes a contract. A will, on the other hand, is a legal document that specifies how an individual's assets should be distributed upon their death, which is not applicable in the context of enforceable agreements between parties during their lifetime. Regarding a contract of consideration, although consideration is an essential part of a contract, the term itself does not encompass the entirety of what constitutes a legally enforceable agreement. Thus, the correct response is that a legally enforceable agreement is specifically a contract.

10. Which type of insurance provides coverage for a person's health-related costs?

- A. Property insurance**
- B. Liability insurance**
- C. Health insurance**
- D. Flood insurance**

Health insurance is specifically designed to cover a person's health-related costs, which can include expenses for medical treatments, hospital stays, surgeries, and prescription medications. This type of insurance plays a crucial role in helping individuals manage the financial burden associated with healthcare, making it an essential component of personal finance for many people. Health insurance can come in various forms, including employer-sponsored plans, government programs, or individual policies, all aimed at providing the necessary financial support for medical needs. The other types of insurance mentioned do not provide coverage for health-related costs. Property insurance focuses on protecting physical assets against risks such as theft or damage, while liability insurance deals with legal responsibilities for injury or damage to others. Flood insurance specifically covers damage caused by flooding, which is distinct from health expenses. Therefore, health insurance stands out as the appropriate choice for coverage related to health costs.

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://canadianaccreditedinsurancebroker-caib1.examzify.com>

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

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