

# Canadian Accredited Insurance Broker (CAIB) Three Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

**This is a sample study guide. To access the full version with hundreds of questions,**

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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. Don't worry about getting everything right, 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, and take breaks to retain information better.**

## **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.**

## **7. Use Other Tools**

**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!**

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## Questions

- 1. How does risk assessment affect insurance underwriting?**
  - A. It determines the terms of the policy**
  - B. It evaluates family history of claims**
  - C. It influences policy issuance and premiums**
  - D. It affects customer service interactions**
- 2. How does an occurrence policy differ from a claims-made policy?**
  - A. Occurrence policies cover claims filed during the policy period only**
  - B. Claims-made policies cover incidents that occur during the policy term**
  - C. Occurrence policies cover incidents regardless of when the claim is reported**
  - D. There is no significant difference between the two**
- 3. What type of bond protects employers from dishonest actions of employees?**
  - A. Insurance Bond**
  - B. Surety Bond**
  - C. Fidelity Bond**
  - D. Performance Bond**
- 4. What is the significance of a beneficiary in life insurance?**
  - A. The beneficiary pays the premiums for the policy**
  - B. The beneficiary receives the death benefit upon the policyholder's passing**
  - C. The beneficiary manages the policy's investments**
  - D. The beneficiary is responsible for filing claims**
- 5. Define 'risk management' within the context of insurance.**
  - A. Complete avoidance of all risks**
  - B. Identifying and mitigating risks to minimize impact**
  - C. Offering policies with the least coverage possible**
  - D. Only responding to risks after they occur**



- 6. What impact does an "act of God" have on insurance coverage?**
- A. It guarantees full reimbursement**
  - B. It may limit what perils are covered**
  - C. It is always excluded in policies**
  - D. It increases premiums significantly**
- 7. What is a potential drawback of a "wait period" in health insurance?**
- A. Increased risk for the insurance provider**
  - B. Prolonged coverage in emergencies**
  - C. Delay in accessing critical benefits**
  - D. Reduction in overall policy cost**
- 8. What is the primary job of a claims adjuster in the insurance process?**
- A. To initiate payments for claims automatically**
  - B. To investigate and assess insurance claims**
  - C. To sell insurance policies to customers**
  - D. To manage the insurer's financial investments**
- 9. Which of the following are key components of a typical insurance policy?**
- A. Claims, payments, endorsements, adjustments**
  - B. Declarations, insuring agreements, exclusions, conditions**
  - C. Underwriting processes, claim payments, investments, liabilities**
  - D. Liabilities, reports, claims, reimbursements**
- 10. What do insurance insolvency procedures aim to protect?**
- A. Shareholders and executives**
  - B. Policyholders and creditors**
  - C. Independent agents and brokers**
  - D. Insurance company investments**

## **Answers**

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

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## **Explanations**

## 1. How does risk assessment affect insurance underwriting?

- A. It determines the terms of the policy
- B. It evaluates family history of claims
- C. It influences policy issuance and premiums**
- D. It affects customer service interactions

Risk assessment plays a critical role in the insurance underwriting process as it evaluates the likelihood of a claimant's risk profile. This systematic evaluation directly influences both the premiums that a policyholder will be charged and whether a policy will be issued at all. Underwriters analyze various factors, such as the individual's risk characteristics, claims history, and other relevant data to assess the potential for future claims. This assessment helps insurers decide on appropriate pricing strategies to cover potential losses while remaining competitive in the market. By understanding the specific risks involved, underwriters can effectively set premiums that align with the level of risk being assumed by the insurer. Higher-risk individuals may see increased premiums or limitations on coverage, while lower-risk individuals might benefit from more favorable terms. In essence, risk assessment is foundational in shaping the financial aspects of insurance contracts, ensuring that the insurer can maintain profitability while adequately covering their policyholders.

## 2. How does an occurrence policy differ from a claims-made policy?

- A. Occurrence policies cover claims filed during the policy period only
- B. Claims-made policies cover incidents that occur during the policy term
- C. Occurrence policies cover incidents regardless of when the claim is reported**
- D. There is no significant difference between the two

An occurrence policy provides coverage for incidents that happen during the policy term, regardless of when the claim is reported to the insurance company. This means that if an event takes place while the policy is active, the insured remains protected under that policy even if the claim is filed years later, as long as the incident occurred during the policy period. This is fundamentally different from a claims-made policy, which only covers claims made during the active policy period, regardless of when the incident occurred. If the event took place before the policy was in effect, or if a claim is reported after the policy has lapsed, there would be no coverage under a claims-made policy. This distinction highlights the enduring nature of occurrence policies, making them particularly valuable for long-tail liabilities, where the time between the occurrence of the event and the reporting of the claim can be significant. Understanding this difference is crucial in determining appropriate coverage based on the potential risks associated with different insurance needs.

### **3. What type of bond protects employers from dishonest actions of employees?**

- A. Insurance Bond**
- B. Surety Bond**
- C. Fidelity Bond**
- D. Performance Bond**

A fidelity bond is specifically designed to protect employers from losses caused by dishonest actions of their employees, such as theft, fraud, or embezzlement. It serves as a financial safety net, compensating the employer for the wrongdoing of an employee, thereby reducing the risk involved in trusting employees with financial transactions or sensitive information. The distinction of fidelity bonds from other types of bonds is important to understand. For example, an insurance bond is more of a general term and doesn't specifically focus on employee dishonesty. A surety bond is typically used to guarantee that a party will fulfill a contractual obligation, and a performance bond secures the completion of a project according to the terms of the contract, which is unrelated to employee behavior. Therefore, fidelity bonds are uniquely tailored to address the risks associated with employee dishonesty, making them the appropriate choice for protecting employers in these situations.

### **4. What is the significance of a beneficiary in life insurance?**

- A. The beneficiary pays the premiums for the policy**
- B. The beneficiary receives the death benefit upon the policyholder's passing**
- C. The beneficiary manages the policy's investments**
- D. The beneficiary is responsible for filing claims**

The significance of a beneficiary in life insurance primarily revolves around the role of receiving the death benefit when the policyholder passes away. This is a fundamental aspect of life insurance as it ensures that the financial protection intended by the policyholder is carried out. The designation of a beneficiary provides peace of mind to the insured, knowing that their loved ones will receive financial support in the event of their death. By specifying a beneficiary in the policy, the insured is directing the insurance company to pay the agreed-upon sum directly to that individual or entity, facilitating a smoother claims process during a difficult time. This mechanism is essential for providing immediate financial assistance to the beneficiary, which can help cover expenses such as mortgage payments, educational costs, and daily living expenses. The other roles associated with a beneficiary, such as paying premiums, managing investments, or filing claims, are not accurate representations of the beneficiary's purpose in this context. The focus is solely on the beneficiary's entitlement to receive the benefits as intended under the life insurance policy, making it a crucial element of the insurance arrangement.

**5. Define 'risk management' within the context of insurance.**

- A. Complete avoidance of all risks**
- B. Identifying and mitigating risks to minimize impact**
- C. Offering policies with the least coverage possible**
- D. Only responding to risks after they occur**

Risk management in the context of insurance is accurately defined as identifying and mitigating risks to minimize impact. This approach is fundamental to the insurance industry as it focuses on proactive strategies that assess potential risks and implement measures to either reduce the chances of those risks occurring or lessen their effects if they do happen. By identifying risks, insurance professionals can analyze potential vulnerabilities faced by individuals or businesses. This includes evaluating factors such as property damage, liability issues, health risks, and financial exposures. Once these risks are identified, various strategies can be employed to mitigate them. This might involve selecting appropriate insurance products, implementing loss prevention techniques, or advising clients on risk avoidance strategies. The goal is not to eliminate all risks, which is often impossible, but to manage them in a way that minimizes their negative impact. The other options presented do not reflect the essence of risk management in insurance. Complete avoidance of all risks is unrealistic, as risk is inherent in daily life and business operations. Offering policies with the least coverage possible does not align with effective risk management principles, which prioritize comprehensive protection based on risk assessment. Finally, only responding to risks after they occur contradicts the proactive nature of risk management, which aims to foresee issues before they become significant problems. Choosing the correct strategy enables

**6. What impact does an "act of God" have on insurance coverage?**

- A. It guarantees full reimbursement**
- B. It may limit what perils are covered**
- C. It is always excluded in policies**
- D. It increases premiums significantly**

The concept of an "act of God," also referred to as a natural disaster or unforeseen event, plays a significant role in understanding insurance coverage. Choosing the option that indicates it may limit what perils are covered highlights that while acts of God encompass events like hurricanes, floods, and earthquakes, they are not universally covered under all insurance policies. Many standard insurance policies—especially property insurance—do not automatically include coverage for certain types of natural disasters. For instance, homeowners typically find that standard policies cover only certain perils, and may exclude coverage for extensive damage caused directly by acts of God unless specific endorsements or separate policies are acquired. This means that while some natural disasters could be covered, the specifics often depend on the policy itself and the choices made by the policyholder regarding coverage options. In the realm of insurance, it's important for policyholders to be aware of the terms of their coverage and to seek additional policies or riders if they want protection against particular acts of God that might not be included in their standard coverage. This ensures that they have a comprehensive understanding of their insurance protections and any limitations that may be based on these types of events.

**7. What is a potential drawback of a "wait period" in health insurance?**

- A. Increased risk for the insurance provider**
- B. Prolonged coverage in emergencies**
- C. Delay in accessing critical benefits**
- D. Reduction in overall policy cost**

A wait period in health insurance refers to a designated timeframe during which the insured is not eligible to claim certain benefits after the policy begins. The correct choice highlights the implication of this feature, which primarily affects the insured's access to necessary treatments and services. During a wait period, individuals might face significant delays in receiving critical healthcare services, which can be especially concerning for those with pre-existing conditions or urgent medical needs. This delay can lead to worsened health outcomes, complications, and increased anxiety for patients who rely on timely care. While the other options present potential considerations related to the wait period, they do not encapsulate the primary consequence regarding patient access to crucial medical benefits. Increased risk for the insurance provider refers to their obligation in terms of claims, but that is not a direct experience of the insured during the wait. The mention of prolonged coverage in emergencies suggests an advantage rather than a drawback, as wait periods typically apply to planned treatments rather than emergency situations. Lastly, the reduction in overall policy cost might be a consideration when evaluating health plans, but it does not directly address the implications of having to wait for benefits during a critical time, which ultimately impacts the insured's access to timely healthcare.

**8. What is the primary job of a claims adjuster in the insurance process?**

- A. To initiate payments for claims automatically**
- B. To investigate and assess insurance claims**
- C. To sell insurance policies to customers**
- D. To manage the insurer's financial investments**

The primary role of a claims adjuster in the insurance process is to investigate and assess insurance claims. This involves gathering information from various sources, such as the policyholder, witnesses, and sometimes even law enforcement, to evaluate the legitimacy and extent of the damage or loss claimed. The adjuster examines the policy coverage to determine how much, if any, compensation should be paid based on the circumstances of the claim and the specific terms of the insurance policy. This essential function helps ensure that claims are processed fairly and accurately, supporting the insurer's obligation to uphold its contractual agreements while also protecting the interests of policyholders. The need for thorough assessments by claims adjusters is critical to maintaining trust in the insurance system, as it helps to prevent fraud and ensure that legitimate claims are settled appropriately. Other roles mentioned, like initiating payments for claims automatically, selling insurance policies, or managing the insurer's financial investments, are not part of the adjuster's core responsibilities. Each of these roles is managed by different professionals within the insurance industry, emphasizing that the claims adjuster's focus is strictly on evaluating and settling claims.



**9. Which of the following are key components of a typical insurance policy?**

- A. Claims, payments, endorsements, adjustments**
- B. Declarations, insuring agreements, exclusions, conditions**
- C. Underwriting processes, claim payments, investments, liabilities**
- D. Liabilities, reports, claims, reimbursements**

The key components of a typical insurance policy are best represented by declarations, insuring agreements, exclusions, and conditions. Declarations provide essential information about the insured, the property or risks covered, and the coverage amounts. This section essentially sets the stage for the entire policy by detailing what is being insured and under what circumstances. Insuring agreements specify the coverage provided by the policy, outlining the insurer's promise to pay for certain losses or damages as agreed in the contract. This is a critical part of the policy as it defines the scope and limits of coverage. Exclusions detail what is not covered by the policy, which is vital for both the insurer and the insured to understand the boundaries of protection. Knowing what is excluded helps prevent misunderstandings at the time of a claim. Conditions outline the obligations of both the insurer and the insured under the policy. This might include the duties of the insured in the event of a loss, procedures for filing a claim, and any actions that may void coverage. While other choices might include related concepts, they do not encapsulate the fundamental elements that collectively define the structure and purpose of a typical insurance contract. For example, options discussing claims and payments revolve around the process after a policy is in effect, which is distinct from

**10. What do insurance insolvency procedures aim to protect?**

- A. Shareholders and executives**
- B. Policyholders and creditors**
- C. Independent agents and brokers**
- D. Insurance company investments**

Insurance insolvency procedures are designed primarily to protect policyholders and creditors. In the event that an insurance company becomes insolvent, these procedures ensure that the interests of the individuals who hold policies with the company and those who have lent money or provided services are safeguarded. Policyholders are given priority because they have purchased coverage and rely on the insurer to fulfill claims in the event of a loss; the goal is to facilitate the settlement of these claims as much as possible. Creditors also play a crucial role as they have financial stakes in the company, often having provided services or support. Ensuring that both policyholders and creditors are treated fairly during insolvency helps maintain trust in the insurance system as a whole, affording some level of assurance to consumers and businesses alike that their interests will be considered in difficult circumstances. In contrast, the focus does not extend to protecting shareholders or executives, independent agents and brokers, or the company's investments in the same prioritized manner. Their interests may still be considered, but they are secondary to the needs of policyholders and creditors within an insolvency context. This approach is crucial for maintaining a stable insurance market and protecting consumers who depend on the financial soundness of their insurers.

# 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](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://canadianaccreditedinsurancebroker-caib3.examzify.com>**

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