

Canadian Accredited Insurance Broker (CAIB) Three 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

- 1. What does loss of use coverage provide?**
 - A. Compensation for property repairs**
 - B. Funds for emergency services**
 - C. Reimbursement for living expenses while displaced**
 - D. Replacement of stolen items**
- 2. What is the name given to the collection of written decisions in the legal system?**
 - A. Case Law**
 - B. Statute Law**
 - C. Public Law**
 - D. Common Law**
- 3. What can happen if an insurance broker fails to provide accurate information?**
 - A. They may receive higher commissions**
 - B. They risk legal action and financial loss**
 - C. They will improve their client relationships**
 - D. They can avoid regulatory scrutiny**
- 4. What does the Self-Insured Retention serve as in an Umbrella Liability Policy?**
 - A. A limit to legal fees**
 - B. A deductible for certain losses**
 - C. An additional coverage boost**
 - D. A secondary maximum payout**
- 5. What is typically included in a broad form policy?**
 - A. Very limited coverage for common risks**
 - B. A higher range of covered perils than basic policies**
 - C. A focus exclusively on liability coverage**
 - D. Strictly basic requirements for coverage**

- 6. What does generational wealth transfer refer to in insurance planning?**
- A. Passing down business ownership**
 - B. Strategies for efficiently passing assets to beneficiaries**
 - C. Investing in stocks for future generations**
 - D. Creating joint accounts for family members**
- 7. What does "Coverage A" generally refer to in a homeowners policy?**
- A. Personal property coverage**
 - B. Liability coverage**
 - C. Coverage for the dwelling itself**
 - D. Replacement cost coverage**
- 8. What does loss prevention refer to in insurance?**
- A. Actions taken after a claim is filed**
 - B. Measures to minimize risk before loss occurs**
 - C. Reducing the premiums paid by the policyholder**
 - D. Actions that increase the chance of loss**
- 9. In insurance policies, what do conditions refer to?**
- A. Provisions that can change without notice**
 - B. Specific rules that the insured must follow to ensure coverage**
 - C. Irrelevant details about the insurer**
 - D. Marketing terms used to attract customers**
- 10. What is a "loss run report" used for?**
- A. To provide a temporary insurance agreement**
 - B. To summarize an insured's claim history**
 - C. To estimate the value of coverage**
 - D. To assess policy limits**

Answers

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

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Explanations

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1. What does loss of use coverage provide?

- A. Compensation for property repairs
- B. Funds for emergency services
- C. Reimbursement for living expenses while displaced**
- D. Replacement of stolen items

Loss of use coverage typically refers to the insurance provision that assists policyholders with living expenses when their home becomes uninhabitable due to a covered loss, such as a fire or flood. This can encompass costs like hotel stays, meal expenses, and additional living expenses incurred while the home is undergoing repairs or while the policyholder seeks alternative housing. This type of coverage is particularly important because it ensures that individuals or families do not face financial strain while displaced from their homes due to circumstances beyond their control. It effectively bridges the gap between the loss of their principal residence and the time it takes to restore or find a suitable living situation. In contrast, compensation for property repairs focuses on the damaged property itself, funds for emergency services are aimed at immediate response needs rather than long-term living arrangements, and replacement of stolen items centers on tangible assets lost due to theft, rather than the broader issue of where a person will live while they cannot access their own home. Thus, the specificity of living expenses during a period of displacement is what clearly characterizes loss of use coverage.

2. What is the name given to the collection of written decisions in the legal system?

- A. Case Law**
- B. Statute Law
- C. Public Law
- D. Common Law

The term that refers to the collection of written decisions in the legal system is known as "Case Law." This body of law is formed by the judgments and decisions made by courts in individual cases, which create precedents that guide future cases. Case law plays a crucial role in shaping the law as it reflects how statutes and legal principles are applied in real-life situations. Lawyers often rely on case law to understand how judges interpret laws and to predict the outcomes of similar cases based on historical judgments. Statute Law refers to laws that are written and enacted by legislative bodies, which are distinct from the judge-made case law. Public Law encompasses laws that govern the relationship between individuals and the government, whereas Common Law pertains to the broader legal system that is based on judicial precedents and customs. While both Common Law and Case Law involve court decisions, the term "Case Law" more specifically denotes the compilation of those decisions.

3. What can happen if an insurance broker fails to provide accurate information?

- A. They may receive higher commissions**
- B. They risk legal action and financial loss**
- C. They will improve their client relationships**
- D. They can avoid regulatory scrutiny**

When an insurance broker fails to provide accurate information, they risk legal action and financial loss. Accuracy in the information provided to clients is critical in the insurance industry. If a broker misrepresents details—whether intentional or due to negligence—they could face liability claims from clients who suffer damages or losses because they relied on inaccurate information. This scenario can lead to substantial financial repercussions, including legal fees, settlements, or judgments against them. Furthermore, inaccuracies can damage their professional reputation, making it difficult to retain existing clients or attract new ones. In addition, regulatory bodies overseeing the insurance industry expect brokers to adhere to strict standards of conduct and accuracy. Failing to meet these standards not only exposes the broker to potential lawsuits but could also result in disciplinary actions from regulatory authorities, including fines or the revocation of their license to operate. Ensuring accuracy helps maintain the trust essential for effective client relationships and compliance with industry regulations.

4. What does the Self-Insured Retention serve as in an Umbrella Liability Policy?

- A. A limit to legal fees**
- B. A deductible for certain losses**
- C. An additional coverage boost**
- D. A secondary maximum payout**

The Self-Insured Retention (SIR) in an Umbrella Liability Policy functions as a deductible for certain losses. Essentially, it represents the amount the policyholder must pay out-of-pocket before the umbrella policy kicks in to cover any additional claims. This financial threshold is designed to ensure that the policyholder retains some risk, thereby aligning their interests with those of the insurer. In practical terms, if a claim occurs that falls under the SIR amount, the insurer will not cover that claim until the policyholder has satisfied the SIR requirement. Once this retention amount is met, the umbrella policy then provides broader coverage above the underlying limits and can cover the remaining costs associated with the claim. Understanding this aspect is crucial for brokers and clients alike, as it impacts coverage strategy and risk management.

5. What is typically included in a broad form policy?

- A. Very limited coverage for common risks**
- B. A higher range of covered perils than basic policies**
- C. A focus exclusively on liability coverage**
- D. Strictly basic requirements for coverage**

A broad form policy is designed to provide a more extensive range of coverage compared to basic policies. This type of policy usually encompasses a higher number of perils, which are specific causes of loss or damage, providing greater protection to the insured. For example, while basic policies might only cover the most common and straightforward risks, broad form policies tend to include additional perils, giving policyholders peace of mind knowing that they are covered against a wider variety of potential issues. This expanded coverage is crucial for individuals or businesses seeking to mitigate their risk exposure effectively. As such, broad form policies are often more suitable for those with greater asset value or higher operational risks, as they reflect the higher level of protection required against diverse threats.

6. What does generational wealth transfer refer to in insurance planning?

- A. Passing down business ownership**
- B. Strategies for efficiently passing assets to beneficiaries**
- C. Investing in stocks for future generations**
- D. Creating joint accounts for family members**

Generational wealth transfer in insurance planning primarily focuses on strategies for efficiently passing assets to beneficiaries. This encompasses a broad range of financial instruments and planning techniques designed to minimize taxation, ensure smooth transitions, and safeguard wealth across different generations. Effective strategies could include life insurance policies that provide liquidity to cover estate taxes, trusts that can manage when and how beneficiaries receive their inheritance, and investment vehicles that optimize growth for future generations. These approaches aim to create a seamless transfer of wealth while preserving the maximum value for the heirs. The other options do not capture the full scope of generational wealth transfer in insurance planning. Passing down business ownership is certainly an aspect of wealth transfer, but it represents only one element of a much larger strategy. Investing in stocks for future generations pertains more to investment strategies rather than focusing specifically on the transfer process. Creating joint accounts for family members can facilitate access to funds but does not inherently encompass the strategic planning needed for effective generational wealth transfer.

7. What does "Coverage A" generally refer to in a homeowners policy?

- A. Personal property coverage**
- B. Liability coverage**
- C. Coverage for the dwelling itself**
- D. Replacement cost coverage**

In a homeowners policy, "Coverage A" specifically pertains to the coverage for the dwelling itself. This segment of the policy is essential as it outlines the protection provided for the physical structure of the home where the insured resides. This includes the walls, roof, floors, and typically attached structures such as garages or decks. Understanding this aspect is vital since it directly influences the amount of financial support a homeowner would receive in the event of damage or loss due to covered risks like fire, windstorm, or vandalism. Other types of coverage, such as personal property, liability, or replacement cost, are categorized under different segments of the policy. Personal property coverage protects belongings within the home, liability coverage deals with potential legal responsibilities for injury or damage to others, and replacement cost coverage relates to how the value of damaged property is calculated during a claim. Each of these does not fall under "Coverage A," highlighting the specific function and importance of this coverage designation in homeowners insurance.

8. What does loss prevention refer to in insurance?

- A. Actions taken after a claim is filed**
- B. Measures to minimize risk before loss occurs**
- C. Reducing the premiums paid by the policyholder**
- D. Actions that increase the chance of loss**

Loss prevention in insurance refers to the proactive measures taken to minimize risk before a loss occurs. This concept emphasizes the importance of identifying potential hazards and implementing strategies to avoid or reduce the probability of these risks leading to a claim. By focusing on loss prevention, insurers and policyholders can work together to create a safer environment, which not only protects assets but also may lead to lower insurance premiums over time as risks decrease. For instance, in an industrial setting, loss prevention could involve installing safety equipment, conducting regular maintenance, and providing employee training to reduce the likelihood of accidents or damage. Overall, the goal of loss prevention is to create a safer and more secure environment to lessen the potential for loss and subsequently, claims.

9. In insurance policies, what do conditions refer to?

- A. Provisions that can change without notice
- B. Specific rules that the insured must follow to ensure coverage**
- C. Irrelevant details about the insurer
- D. Marketing terms used to attract customers

Conditions in insurance policies refer to specific rules that the insured must adhere to in order to maintain coverage and ensure that their claims will be honored. These conditions outline the responsibilities of the policyholder and set the framework within which the insurance contract operates. Adhering to these conditions is crucial because if the insured fails to comply with them, it may result in a denial of coverage or a limitation on the benefits they can receive under the policy. For example, conditions may include requirements such as timely reporting of claims, maintaining property in a certain condition, or notifying the insurer of any changes in risk factors. Understanding these conditions is vital for policyholders to protect their interests and ensure they receive the full benefits of their insurance coverage.

10. What is a "loss run report" used for?

- A. To provide a temporary insurance agreement
- B. To summarize an insured's claim history**
- C. To estimate the value of coverage
- D. To assess policy limits

A loss run report is a crucial document used in the insurance industry that provides a comprehensive summary of an insured's claim history over a specific period. It includes detailed information about past claims, including dates, amounts paid, types of claims, and the status of those claims. This report is particularly valuable for underwriters when evaluating the risk profile of a potential client or renewal of policy, as it allows them to assess the frequency and severity of past incidents. Understanding the claim history is essential for insurers to determine appropriate premiums and the terms of coverage. It also helps businesses and policyholders understand their own risk exposure and can inform their decisions regarding insurance needs and risk management strategies. Consequently, this tool plays a significant role in shaping the overall relationship between the insured and the insurer. The other options relate to different aspects of insurance but do not accurately describe the primary purpose of a loss run report.

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-caib3.examzify.com>

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