

CANADIAN ACCREDITED INSURANCE BROKER (CAIB) THREE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE**

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



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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. What is the concept of "subrogation" in insurance?**
 - A. The right of an insured to cancel their policy
 - B. The insurer's right to pursue third parties for reimbursement after a loss
 - C. The process of underwriting insurance applications
 - D. The assessment of damages to determine a claim payout
- 2. What type of assets are considered liquid for bonding purposes?**
 - A. Real estate investments
 - B. Redeemable investments
 - C. Items held for more than 90 days
 - D. Undeveloped land
- 3. What type of coverage does the S.P.F. No. 1 Owner's Form exclude?**
 - A. Owned vehicles
 - B. Rented or leased vehicles
 - C. Commercial vehicles
 - D. Personal automobiles
- 4. What is a primary factor that determines life insurance premiums?**
 - A. The age of the policyholder
 - B. The type of vehicle insured
 - C. The location of the business
 - D. The amount of commercial property owned
- 5. 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
- 6. In terms of tax implications, what is a key aspect of generational wealth transfer?**
 - A. Minimizing insurance premiums
 - B. Maximizing investment returns
 - C. Ensuring assets pass down effectively with minimal tax
 - D. Increasing estate taxes for beneficiaries

7. What duration is typical for short-term disability insurance coverage?

- A. Up to one month
- B. Usually up to six months
- C. Up to one year
- D. Indefinitely until recovery

8. What type of compensation does "damages" represent?

- A. Injunctive relief
- B. Compensation in money
- C. Legal fees
- D. Property restoration

9. What could be a consequence of insurance fraud?

- A. Lower premiums for all insured parties
- B. Increased premiums and potential legal ramifications
- C. Greater trust in the insurance industry
- D. Higher coverage limits for policies

10. What is one of the primary responsibilities of an insurance broker?

- A. To handle insurance claims directly
- B. To act as an intermediary between the client and the insurance company
- C. To manage the financial investments of the client
- D. To underwrite insurance policies

Answers

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

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Explanations

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1. What is the concept of "subrogation" in insurance?

- A. The right of an insured to cancel their policy
- B. The insurer's right to pursue third parties for reimbursement after a loss**
- C. The process of underwriting insurance applications
- D. The assessment of damages to determine a claim payout

Subrogation is a fundamental principle in insurance that allows an insurer to step into the shoes of the insured after paying out a claim. When the insurer compensates the insured for a loss, subrogation gives the insurer the right to pursue recovery from third parties who may have been responsible for that loss. This legal right helps the insurer to recoup the amount paid out for the claim, effectively reducing their overall costs and helping to keep premiums lower for policyholders. In practice, if a policyholder files a claim after an accident caused by another party, once the insurer disburses the funds to the insured, they can then seek reimbursement from the individual or entity that caused the accident. This process not only helps the insurer recover their expenses but also reinforces the accountability of the responsible parties. Understanding subrogation is crucial for insurance professionals because it affects how claims are processed, how certain risks are evaluated, and how overall loss costs are managed.

2. What type of assets are considered liquid for bonding purposes?

- A. Real estate investments
- B. Redeemable investments**
- C. Items held for more than 90 days
- D. Undeveloped land

For bonding purposes, liquid assets are those that can easily be converted into cash without significant loss of value. Redeemable investments fit this definition because they involve securities or accounts that can be quickly cashed out or sold back at their market value. These types of investments typically include savings accounts, fixed deposits, or mutual funds that can be redeemed relatively quickly, often without incurring fees, making them highly liquid. In contrast, real estate investments, items held for more than 90 days, and undeveloped land do not qualify as liquid assets. Real estate involves a lengthy process for selling and may require significant time and additional costs to convert into cash. Items held for more than 90 days do not inherently indicate liquidity; their convertibility depends on the specific market conditions surrounding those items. Undeveloped land also has lower liquidity due to potential constraints in selling due to market demand, zoning laws, or development issues, often resulting in a longer selling process. Thus, redeemable investments are the most suitable choice for defining liquid assets in the context of bonding.

3. What type of coverage does the S.P.F. No. 1 Owner's Form exclude?

- A. Owned vehicles
- B. Rented or leased vehicles**
- C. Commercial vehicles
- D. Personal automobiles

The S.P.F. No. 1 Owner's Form is designed primarily for private passenger vehicles, addressing the coverage needs of individuals against specific types of loss. This form generally excludes coverage for rented or leased vehicles, as it is focused on vehicles that are owned by the insured. Coverage for rented or leased vehicles typically falls under different policy forms or endorsements that cater specifically to those circumstances, since the responsibilities and risks associated with such vehicles can vary significantly from those of owned vehicles. Choosing this option highlights an important distinction in insurance coverage. Those considering using a rented or leased vehicle need to be aware that they may require specific insurance provisions or a different policy to ensure they are adequately protected in the event of an accident or loss. In contrast, owned vehicles, commercial vehicles, and personal automobiles typically receive coverage under different stipulations of the S.P.F. No. 1 Owner's Form.

4. What is a primary factor that determines life insurance premiums?

- A. The age of the policyholder**
- B. The type of vehicle insured
- C. The location of the business
- D. The amount of commercial property owned

The age of the policyholder is a primary factor that determines life insurance premiums. This is because age directly impacts the risk assessment involved in underwriting a life insurance policy. Generally, younger individuals are considered less risky because they are statistically less likely to experience health-related issues or premature death compared to older individuals. As a result, life insurance premiums tend to be lower for younger policyholders. Conversely, as individuals age, the probability of health complications increases, which in turn raises the premium rates set by insurance companies. The other options refer to factors relevant to different types of insurance, such as auto or property insurance, rather than life insurance specifically. The type of vehicle insured primarily affects auto insurance rates, while the location of a business can influence commercial property or liability insurance, and the amount of commercial property owned is a factor in property insurance assessments. Thus, while these factors are critical in their respective contexts, they do not pertain to the determination of life insurance premiums.

5. 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.

6. In terms of tax implications, what is a key aspect of generational wealth transfer?

- A. Minimizing insurance premiums
- B. Maximizing investment returns
- C. Ensuring assets pass down effectively with minimal tax**
- D. Increasing estate taxes for beneficiaries

A key aspect of generational wealth transfer is ensuring that assets pass down effectively with minimal tax implications. This is crucial because when wealth is transferred from one generation to the next, various taxes can significantly diminish the value of the legacy left for beneficiaries. By effectively planning for this transfer, individuals can structure their estates to leverage tax laws, utilize exemptions, and make strategic decisions that limit the amount of tax owed. This could involve tactics such as using trusts, life insurance policies, or gifting strategies that align with financial and estate planning goals, ultimately maximizing the amount passed on to heirs. Minimizing insurance premiums and maximizing investment returns are important financial considerations, but they do not directly address the tax implications associated with wealth transfer. While increasing estate taxes for beneficiaries would negate the goal of building generational wealth, it is not a strategy that would be sought after in a wealth transfer context. In essence, focusing on the taxation aspect ensures that the wealth retains its value as it transitions through generations.

7. What duration is typical for short-term disability insurance coverage?

- A. Up to one month
- B. Usually up to six months**
- C. Up to one year
- D. Indefinitely until recovery

Typically, short-term disability insurance coverage is designed to provide income replacement for individuals who are temporarily unable to work due to illness or injury. Usually, this duration is up to six months. The purpose of this type of coverage is to bridge the gap between an immediate loss of income and the time when longer-term disability benefits might kick in, if necessary. Short-term disability insurance usually starts providing benefits after an elimination period—a brief period following the onset of the disability. The aim is to support the insured during a time when recovery is expected to happen relatively quickly, thus the coverage period is capped at around six months. This timeframe is generally seen as sufficient for most individuals to recover from temporary health issues without long-term implications on their income or employment status.

8. What type of compensation does "damages" represent?

- A. Injunctive relief
- B. Compensation in money**
- C. Legal fees
- D. Property restoration

"Damages" specifically refer to a monetary compensation awarded in legal cases to cover the loss, injury, or suffering experienced by an individual or entity due to another party's wrongful actions. This monetary compensation is intended to restore the injured party to the position they were in before the harm occurred, as closely as possible. The term encompasses different types of financial awards, such as compensatory damages, which address actual losses, and punitive damages, which are intended to punish the wrongdoer and deter future misconduct. The fundamental characteristic of damages is that they are awarded in the form of money, which distinguishes them from other legal remedies that might be available in a case. In contrast, injunctive relief involves a court order requiring a party to do or refrain from doing specific acts, legal fees are the costs incurred for legal representation and services, and property restoration pertains to repairing or restoring property rather than providing monetary compensation. Each of these options represents different types of legal remedies that do not equate to the concept of damages as money compensation.

9. What could be a consequence of insurance fraud?

- A. Lower premiums for all insured parties
- B. Increased premiums and potential legal ramifications**
- C. Greater trust in the insurance industry
- D. Higher coverage limits for policies

The consequence of insurance fraud leading to increased premiums and potential legal ramifications is a significant concern within the insurance industry. When fraud occurs, it creates a financial strain on insurance companies, as they may be forced to pay out for fraudulent claims. To offset these losses, insurers are likely to raise premiums for all policyholders, which can lead to a general increase in costs for honest consumers. Additionally, engaging in or being found guilty of insurance fraud can result in legal consequences for the individuals involved, including fines and even imprisonment. This legal aspect underscores the seriousness with which insurance companies and regulators approach fraudulent activities. The consequences serve as a deterrent and reflect the negative impact fraud has not only on individuals seeking to benefit from insurance coverage but also on the integrity of the insurance industry as a whole. In contrast, lower premiums for all insured parties, greater trust in the insurance industry, and higher coverage limits for policies are unlikely to arise as direct results of fraud. Fraud undermines confidence in insurance and leads to increased costs rather than reductions or enhancements in policy offerings.

10. What is one of the primary responsibilities of an insurance broker?

- A. To handle insurance claims directly
- B. To act as an intermediary between the client and the insurance company**
- C. To manage the financial investments of the client
- D. To underwrite insurance policies

The primary responsibility of an insurance broker is to act as an intermediary between the client and the insurance company. This role involves assessing the client's insurance needs, providing guidance on suitable insurance products, and facilitating the procurement of policies that best fit those needs. Brokers leverage their expertise and industry knowledge to negotiate with insurers on behalf of their clients, ensuring that they receive comprehensive coverage and competitive pricing. By maintaining relationships with multiple insurance companies, brokers can access a wide range of policy options, helping clients make informed decisions. They also have a duty to advocate for their clients during the underwriting process to secure appropriate coverage. In contrast, handling insurance claims directly, managing clients' financial investments, and underwriting insurance policies fall outside the typical scope of an insurance broker's responsibilities. Claims are usually processed by the insurance company, while underwriting is a function performed by insurers to evaluate and accept risks. Managing investments is typically associated with financial advisors rather than brokers in the insurance sector.

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:

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

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