

# Canadian Accredited Insurance Broker (CAIB) Two 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. Which situation does NOT normally cause coverage to cease under the Builders Risk Policy?**
  - A. Building used as office space during construction**
  - B. Vacant building during winter**
  - C. Building occupied as residence before completion**
  - D. Daily site evaluations**
- 2. For which of the following reasons might a bailee have temporary custody of personal property?**
  - A. To sell the property**
  - B. For repairs or storage**
  - C. To transport it internationally**
  - D. To auction it off**
- 3. What warranty must be included in a commercial property policy when theft coverage is provided for property in automobiles?**
  - A. The vehicle must be equipped with a manual lock**
  - B. The vehicle must be parked in a secured lot**
  - C. The vehicle containing the property must have a fully enclosed body**
  - D. The vehicle must always be attended by the owner**
- 4. What is one key function of insurance brokers?**
  - A. To handle all claims processing**
  - B. To serve as intermediaries between clients and insurance companies**
  - C. To develop insurance legislation**
  - D. To create advertising campaigns for insurers**
- 5. What does the term "deductible" refer to in insurance policies?**
  - A. The amount paid by the insurance company before coverage begins**
  - B. The total amount of premium paid annually**
  - C. The amount paid out of pocket before coverage kicks in**
  - D. The value of the insured asset**

**6. What are the three components of the most effective security system?**

- A. Perimeter, area, and point protection**
- B. Access control, surveillance, and notification**
- C. Prevention, detection, and response**
- D. Monitoring, assessment, and reporting**

**7. When contracting with private carriers, what determines their liability?**

- A. The type of goods being transported**
- B. The individual's decision on insurance**
- C. Market value of the goods**
- D. The amount of loss incurred on the goods**

**8. What is an example of straight-line depreciation?**

- A. A building that is 30 years old but can be used for another 30 years**
- B. An old vehicle that has no remaining value**
- C. Office equipment that rapidly loses value in the first year**
- D. A historic property never used for business**

**9. What do policy exclusions signify in an insurance document?**

- A. Features that enhance the coverage**
- B. Specific risks not covered by the policy**
- C. Optional add-ons to the standard policy**
- D. Common claims that can be filed**

**10. Under the Inside/Outside Robbery Policy, which situation covers property taken from a custodian inside the premises?**

- A. Theft from a warehouse**
- B. Actual or attempted robbery of a custodian on the premises**
- C. Theft during business hours**
- D. Damage caused by natural events**

## **Answers**

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

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## **Explanations**

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**1. Which situation does NOT normally cause coverage to cease under the Builders Risk Policy?**

- A. Building used as office space during construction**
- B. Vacant building during winter**
- C. Building occupied as residence before completion**
- D. Daily site evaluations**

The situation involving daily site evaluations does not normally cause coverage to cease under the Builders Risk Policy because these evaluations are typically considered part of the ongoing construction process. Builders Risk Policies are designed to provide insurance protection for buildings under construction, and regular site evaluations fall within the normal operational activities that ensure the project is progressing as planned. They help monitor construction progress, assess any risks, and confirm that safety measures are in place. In contrast, the other situations mentioned can lead to a cessation of coverage due to increased risks. For example, using a building as office space could indicate a change in the purpose of the property that may not align with the coverage that a Builders Risk Policy provides. A vacant building during winter presents additional risks related to weather and potential damage, which could breach the terms of the policy. Similarly, occupying a building as a residence before its completion may also introduce risks that are not covered under a typical Builders Risk Policy. Understanding these distinctions is crucial for effectively managing insurance needs during the construction process. Regular evaluations keep the project in compliance with the coverage terms, while deviations from intended use or increases in inherent risk can jeopardize the coverage provided by the policy.

**2. For which of the following reasons might a bailee have temporary custody of personal property?**

- A. To sell the property**
- B. For repairs or storage**
- C. To transport it internationally**
- D. To auction it off**

A bailee has temporary custody of personal property primarily for specific purposes, one of which is for repairs or storage. When personal property is given into the custody of a bailee, it is typically because the owner requires some form of service concerning that property. In the context of repairs, a bailee such as a mechanic or a repair shop would take possession of the property to perform necessary work on it. Similarly, storage facilities temporarily hold property for individuals until they need it again. The other reasons involve different contexts in which a bailee might not be involved. Selling property would imply a transfer of ownership rather than temporary custody. Transporting property internationally may necessitate specialized logistics but does not inherently require the bailee to take temporary custody in the same manner as repair or storage does, as it usually involves carriers rather than bailees. Lastly, auctioning off property involves a different legal and transactional framework where the property might change ownership rather than being held temporarily for a specific service. Therefore, the situation where a bailee is most relevant and acts within the bounds of their role is indeed for repairs or storage.

**3. What warranty must be included in a commercial property policy when theft coverage is provided for property in automobiles?**

- A. The vehicle must be equipped with a manual lock**
- B. The vehicle must be parked in a secured lot**
- C. The vehicle containing the property must have a fully enclosed body**
- D. The vehicle must always be attended by the owner**

The warranty that requires the vehicle containing the property to have a fully enclosed body is essential to mitigate the risk of theft when theft coverage is provided for property in automobiles. This requirement helps ensure that the contents within the vehicle are not easily accessible to potential thieves. A fully enclosed body offers additional protection compared to open or partially enclosed vehicles, significantly reducing the likelihood of theft. In commercial property policies, where theft coverage is included, insurers want to establish measures that minimize their exposure to risk. By mandating a fully enclosed vehicle, insurers can lessen the chances of theft occurring, thus supporting the policy's purpose of safeguarding the insured property. In essence, this warranty serves to set a standard that increases the security of the property being insured while also aligning with industry best practices for preventing loss.

**4. What is one key function of insurance brokers?**

- A. To handle all claims processing**
- B. To serve as intermediaries between clients and insurance companies**
- C. To develop insurance legislation**
- D. To create advertising campaigns for insurers**

One key function of insurance brokers is to serve as intermediaries between clients and insurance companies. This role is essential because brokers act as advocates for their clients, helping them navigate the complex insurance landscape. They assess the insurance needs of their clients, provide expert advice on coverage options, and negotiate terms and pricing with insurers to secure the best possible policies for their clients. Insurance brokers possess a deep understanding of the various products available in the market and can tailor their recommendations to meet the specific needs of their clients. This intermediary position enables clients to receive personalized service and ensures their interests are represented when dealing with insurance providers. By facilitating communication and understanding between clients and insurers, brokers help to streamline the insurance purchasing process and enhance customer satisfaction. In contrast, handling all claims processing is typically a function of insurers rather than brokers, who mainly focus on the sales and advisory aspects of insurance. Developing insurance legislation and creating advertising campaigns for insurers fall outside the scope of a broker's responsibilities, as these tasks are primarily handled by government entities and marketing departments, respectively.

## 5. What does the term "deductible" refer to in insurance policies?

- A. The amount paid by the insurance company before coverage begins
- B. The total amount of premium paid annually
- C. The amount paid out of pocket before coverage kicks in**
- D. The value of the insured asset

The term "deductible" in insurance policies refers to the amount that the policyholder must pay out of pocket before the insurance coverage begins to pay for any covered expenses. This concept is fundamental in various types of insurance, including health, auto, and property insurance. When an insurance claim is made, the insurer will first subtract the deductible amount from the total claim amount. For instance, if you incur a loss of \$1,000 and you have a deductible of \$250, you would be responsible for paying the initial \$250, and the insurance company would then cover the remaining \$750. This function of the deductible serves to share some of the financial risk between the insurer and the insured and often helps keep premiums lower. The other options do not accurately describe the role of a deductible in an insurance contract. The amount paid by the insurance company before coverage begins refers to initial coverage obligations, not a deductible. The total amount of premium paid annually pertains to the cost of the insurance policy rather than the deductible concept. Lastly, the value of the insured asset reflects the worth of the policyholder's property, separate from the deductible amount they might need to pay before any losses are compensated by the insurer.

## 6. What are the three components of the most effective security system?

- A. Perimeter, area, and point protection**
- B. Access control, surveillance, and notification
- C. Prevention, detection, and response
- D. Monitoring, assessment, and reporting

The most effective security system is built upon three critical components: perimeter protection, area protection, and point protection. Perimeter protection refers to measures designed to secure the outer boundaries of a property, preventing unauthorized access and acting as the first line of defense. This could include fencing, walls, or natural barriers. It is essential because it establishes a clear boundary and deters intrusions before they reach vulnerable areas. Area protection focuses on securing broader areas within the perimeter, such as establishing controlled access points and monitoring larger spaces. This can involve the use of security personnel, patrols, or surveillance systems that cover extensive zones. The goal is to ensure that any suspicious activity within these areas can be swiftly addressed. Point protection targets specific, high-value assets or sensitive areas that require an additional layer of security due to their importance or vulnerability. This could encompass things like alarm systems directly on doors or windows, the use of safes, or dedicated personnel monitoring critical locations. Together, these three components create a comprehensive security strategy that not only aims to prevent unauthorized access but also enhances the capacity to respond effectively to potential threats. Each component reinforces the others, creating a net of security that is stronger than any singular approach could achieve.

## 7. When contracting with private carriers, what determines their liability?

- A. The type of goods being transported**
- B. The individual's decision on insurance**
- C. Market value of the goods**
- D. The amount of loss incurred on the goods**

The determination of a private carrier's liability primarily revolves around the amount of loss incurred on the goods being transported. When goods are lost, damaged, or destroyed while in the custody of a carrier, the financial responsibility of that carrier is often linked to the actual loss experienced by the owner of the goods. This is grounded in common carrier liability, which implies that carriers must take care of the merchandise during transportation and are liable for losses unless they can demonstrate that the loss was due to an exception such as inherent vice, act of God, or negligence on the part of the sender. Understanding that the liability of a private carrier is contingent upon the amount of loss incurred provides insight into how claims are assessed and resolved when transportation issues arise. The actual dollar figure associated with the loss acts as a key determinant of how much the carrier will financially compensate the owner of the goods. Contextually, while factors like the type of goods and market value are important in overall transportation discussions, they do not directly dictate the liability in terms of actual loss incurred. The individual's insurance decisions are relevant for their own coverage but do not influence the carrier's liability under the contracts or terms of service agreements.

## 8. What is an example of straight-line depreciation?

- A. A building that is 30 years old but can be used for another 30 years**
- B. An old vehicle that has no remaining value**
- C. Office equipment that rapidly loses value in the first year**
- D. A historic property never used for business**

Straight-line depreciation is a method of allocating the cost of an asset evenly over its useful life. This approach assumes that the asset will lose value at a constant rate over time. In the case of the building that is 30 years old but can still be used for another 30 years, it reflects a scenario where the building has a predictable and extended useful life. By utilizing straight-line depreciation, the cost of the building can be spread evenly across its 60-year useful life, which provides a stable method for financial reporting and tax purposes. In contrast, the other choices do not exemplify straight-line depreciation. An old vehicle with no remaining value suggests that it has already fully depreciated, thus does not pertain to the concept of progressive depreciation over time. Office equipment that loses value rapidly in the first year indicates a more accelerated depreciation method, such as double-declining balance, rather than straight-line. Lastly, a historic property never used for business typically would not undergo standard depreciation processes since it does not generate income and is not considered a depreciable asset in a traditional sense.

## 9. What do policy exclusions signify in an insurance document?

- A. Features that enhance the coverage**
- B. Specific risks not covered by the policy**
- C. Optional add-ons to the standard policy**
- D. Common claims that can be filed**

Policy exclusions in an insurance document signify specific risks that are not covered by the policy. These exclusions are important because they define the boundaries of coverage and clarify what is protected by the insurance policy. Insurers include exclusions to limit their liability and to ensure that the policyholder understands the circumstances under which the policy will not provide coverage. By delineating the exclusions, insurers help prevent misunderstandings and disputes when claims arise. This means that the policyholder should carefully review these exclusions to fully understand the scope of their coverage and what situations or risks are not included. This understanding is crucial when evaluating risks and determining what additional coverage may be necessary to ensure adequate protection.

## 10. Under the Inside/Outside Robbery Policy, which situation covers property taken from a custodian inside the premises?

- A. Theft from a warehouse**
- B. Actual or attempted robbery of a custodian on the premises**
- C. Theft during business hours**
- D. Damage caused by natural events**

The situation that accurately covers property taken from a custodian inside the premises under the Inside/Outside Robbery Policy is the actual or attempted robbery of a custodian on the premises. This is essential because this policy is designed to address instances where a custodian—an individual responsible for the safekeeping of property—is threatened or attacked while physically present within the insured location. This coverage is crucial as it provides protection for both the individual and the property being safeguarded. The policy recognizes that robberies can occur even when the custodian is inside, and thus it specifically includes such events to offer comprehensive protection against theft. In contrast, options like theft from a warehouse or theft during business hours may not directly pertain to the specific context of a custodian's role and the interaction that implies a confrontational or coercive act. Additionally, damage caused by natural events does not involve robbery or theft, as it pertains to losses incurred from environmental factors rather than criminal activity. Thus, the focus on a custodian's safety during a robbery scenario makes this answer the most accurate choice.

# 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-caib2.examzify.com>**

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

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