

# CII Certificate in Insurance - Financial Protection (R05) 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. In the context of life insurance, what does 'key person' coverage protect?**
  - A. The business against the loss of a vital employee**
  - B. The key stakeholders in the company**
  - C. The company's tangible assets**
  - D. The public reputation of the business**
- 2. What is the fundamental difference between own occupation and any occupation in insurance policies?**
  - A. Own occupation pays if unable to perform one's specific job; any occupation pays if unable to work in any job**
  - B. Own occupation is cheaper than any occupation insurance**
  - C. Any occupation policies have a higher payout than own occupation policies**
  - D. Own occupation covers freelancers while any occupation covers salaried employees**
- 3. In a group income protection insurance policy, who initially receives the benefits?**
  - A. The employee directly**
  - B. The employer**
  - C. The insurance company**
  - D. The beneficiary**
- 4. Which statement is NOT a rule for qualifying life insurance policies?**
  - A. The premiums in any one year cannot be more than double the premiums in any other year**
  - B. The minimum sum assured must be at least 100% of the total premiums**
  - C. Premiums must be paid regularly at least annually**
  - D. No one premium can be more than 1/8 of total premiums**
- 5. Which two main events should be the focus for insurance-based solutions?**
  - A. Illness and job loss**
  - B. Death and disability**
  - C. Retirement and savings**
  - D. Accidents and natural disasters**

**6. Which type of insurance is specifically designed to protect against loss of income due to illness or injury?**

- A. Life insurance**
- B. Critical illness insurance**
- C. Income protection insurance**
- D. Personal accident insurance**

**7. What key factor affecting mortality is significant in the design of protection products?**

- A. Age of the individual**
- B. Gender of the individual**
- C. Whether the individual is a smoker or non-smoker**
- D. Occupational hazards**

**8. Why are dependents a significant factor in the demand for life cover?**

- A. They increase the cost of premiums**
- B. They are potential beneficiaries of the policy**
- C. They affect policy terms and conditions**
- D. They limit the types of coverage offered**

**9. Why might an individual receive a reduced income protection benefit?**

- A. They are unemployed**
- B. Their employer still provides sick pay**
- C. Their age exceeds policy limitations**
- D. They have multiple job offers**

**10. Compared to income protection and decreasing term assurance, how does family income benefit typically compare in cost?**

- A. More expensive**
- B. Usually cheaper**
- C. About the same**
- D. Variable depending on health status**

## **Answers**

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

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## **Explanations**

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**1. In the context of life insurance, what does 'key person' coverage protect?**

- A. The business against the loss of a vital employee**
- B. The key stakeholders in the company**
- C. The company's tangible assets**
- D. The public reputation of the business**

'Key person' coverage is specifically designed to protect a business from the financial impact that may arise from the loss of an essential employee. This type of insurance acknowledges that certain individuals, often in critical roles, contribute significantly to the success and stability of the organization. If a key person were to unexpectedly die or become disabled, the business could face challenges such as loss of revenue, diminished client confidence, and the costs associated with recruiting and training a replacement. The policy provides the necessary funds to help mitigate these effects, allowing the company to maintain operations while navigating the transition period. In contrast, options regarding the protection of stakeholders, tangible assets, or public reputation do not directly encompass the core function of key person coverage. This insurance is specifically tailored to address the financial repercussions stemming from the loss of a vital employee and is crucial for maintaining business continuity during uncertain times.

**2. What is the fundamental difference between own occupation and any occupation in insurance policies?**

- A. Own occupation pays if unable to perform one's specific job; any occupation pays if unable to work in any job**
- B. Own occupation is cheaper than any occupation insurance**
- C. Any occupation policies have a higher payout than own occupation policies**
- D. Own occupation covers freelancers while any occupation covers salaried employees**

The fundamental difference between own occupation and any occupation in insurance policies is that own occupation coverage provides benefits if the insured is unable to perform their specific job duties, regardless of their ability to work in other capacities. This means that if someone is a surgeon and they can no longer perform surgeries but can work in a different role, they would still receive benefits under an own occupation policy. In contrast, any occupation coverage typically stipulates that benefits are only paid out if the insured is unable to work in any capacity. Therefore, if a person can perform an alternative job or role, even if it differs from their previous specific occupation, they would not qualify for benefits under an any occupation policy. This distinction is crucial for individuals, particularly those with specialized skills, as owning a policy that aligns with their potential inability to perform their job can significantly impact their financial protection and peace of mind.

**3. In a group income protection insurance policy, who initially receives the benefits?**

- A. The employee directly**
- B. The employer**
- C. The insurance company**
- D. The beneficiary**

In a group income protection insurance policy, the employer is typically the entity that initially receives the benefits. This is because group income protection policies are usually arranged by employers for their employees as part of an employee benefits package. When an employee becomes unable to work due to illness or injury, the insurer pays the benefits to the employer, who then has the responsibility to pass those benefits on to the affected employee. This structure facilitates administrative efficiency and ensures that benefits are managed directly through the employer, which maintains a simplified process for both the insurance provider and the employee. The employer can then reinstate some portion of the employee's lost income, providing them with financial support during their time of need. Although other options involve entities that might be associated with the insurance process, in the context of group income protection, the employer serves as the primary recipient of the benefit payouts initially.

**4. Which statement is NOT a rule for qualifying life insurance policies?**

- A. The premiums in any one year cannot be more than double the premiums in any other year**
- B. The minimum sum assured must be at least 100% of the total premiums**
- C. Premiums must be paid regularly at least annually**
- D. No one premium can be more than 1/8 of total premiums**

The correct choice is that the statement regarding the minimum sum assured must be at least 100% of the total premiums is not a rule for qualifying life insurance policies. Qualifying life insurance policies are primarily designed to offer tax relief or other advantages, and they must adhere to a set of criteria established to maintain their status. One crucial requirement is that the premiums paid must be proportionate to the coverage provided, but there is no stipulation that the minimum sum assured corresponds to a specific percentage of total premiums paid. In fact, qualifying policies typically have various structures and may not require such a high minimum sum assured in relation to total premiums. On the other hand, other rules provided in the options revolve around ensuring the policies are financially sound and that premiums are consistently manageable. For instance, the rules regarding premium limits and payment regularity are aimed at maintaining the policy's qualifications and ensuring policyholders can continue their coverage without financial strain. These regulations are foundational for setting acceptable practice standards within the insurance industry, which helps protect consumers and ensure the viability of insurance products.

**5. Which two main events should be the focus for insurance-based solutions?**

- A. Illness and job loss**
- B. Death and disability**
- C. Retirement and savings**
- D. Accidents and natural disasters**

The focus on death and disability for insurance-based solutions is pivotal as these events have significant financial implications for individuals and their dependents. Life insurance plays a crucial role in providing financial protection for families in the event of an untimely death, which can leave them vulnerable to loss of income and increased financial burdens. Similarly, disability insurance is essential for individuals who may be unable to work due to illness or injury, ensuring they still have a source of income during challenging times. These two areas underscore the primary role of insurance: to protect against significant financial risks that can arise from unforeseen circumstances affecting one's ability to earn an income or provide for loved ones. This focus helps create a safety net that addresses both immediate financial needs and long-term security for individuals and families against life-altering events. Other options, while important, do not emphasize the core purpose of insurance in relation to personal financial protection as explicitly as death and disability do.

**6. Which type of insurance is specifically designed to protect against loss of income due to illness or injury?**

- A. Life insurance**
- B. Critical illness insurance**
- C. Income protection insurance**
- D. Personal accident insurance**

Income protection insurance is specifically designed to provide financial support to individuals who are unable to work due to illness or injury. This type of insurance typically pays a percentage of the individual's salary for a specified period, ensuring that they have a source of income while they recover and are unable to earn their usual wages. Other types of insurance, while valuable in their own right, focus on different aspects of financial protection. Life insurance pays out a lump sum to beneficiaries upon the death of the policyholder, which does not address the specific concern of lost income due to a temporary disablement. Critical illness insurance offers a payout upon diagnosis of specific severe health conditions but does not provide ongoing income replacement. Personal accident insurance covers specific instances of injury resulting from accidents, but again, it does not offer the extensive protection for lost income due to broader medical conditions or prolonged recovery periods that income protection insurance does. Therefore, the primary benefit of income protection insurance is its focus on replacing lost earnings due to an inability to work, delivering essential financial security during difficult times.

**7. What key factor affecting mortality is significant in the design of protection products?**

- A. Age of the individual**
- B. Gender of the individual**
- C. Whether the individual is a smoker or non-smoker**
- D. Occupational hazards**

The significant key factor affecting mortality in the design of protection products is the individual's smoking status. This is due to the clear and well-documented evidence that smoking considerably increases the risk of various health conditions, leading to higher mortality rates. In the context of protection products, such as life insurance, providers assess the risk profiles of applicants to determine appropriate premiums and coverage amounts. Smokers typically face higher premiums, reflecting their increased health risks compared to non-smokers. While factors like age, gender, and occupational hazards also impact mortality rates, the smoking status is particularly critical because it has a direct and substantial influence on health outcomes. This factor is also often used in underwriting processes, making it essential for the design and pricing of life insurance products.

**8. Why are dependents a significant factor in the demand for life cover?**

- A. They increase the cost of premiums**
- B. They are potential beneficiaries of the policy**
- C. They affect policy terms and conditions**
- D. They limit the types of coverage offered**

Dependents are a significant factor in the demand for life cover because they represent individuals who rely on the policyholder for financial support. When the policyholder passes away, the financial security and well-being of these dependents can be at risk. Life cover is primarily designed to provide a payout that can help sustain the lifestyle and needs of these beneficiaries, ensuring that their financial obligations can still be met, such as mortgage payments, education expenses, and daily living costs. This inherent connection between dependents and the need for financial protection underscores the rationale for purchasing life insurance, as policyholders seek to safeguard the future of their loved ones. While dependents may influence other aspects of life cover, such as policy terms or premium costs, their role as potential beneficiaries encapsulates the primary motivation for acquiring life insurance: to protect and provide for those left behind.

## 9. Why might an individual receive a reduced income protection benefit?

- A. They are unemployed
- B. Their employer still provides sick pay**
- C. Their age exceeds policy limitations
- D. They have multiple job offers

An individual receives a reduced income protection benefit if their employer continues to provide sick pay. Income protection insurance is designed to replace a portion of an individual's income if they are unable to work due to illness or injury. If an employer offers ongoing sick pay during this period, the income protection insurance is intended to act in a complementary role rather than to duplicate what the employer has already provided. This means that the income payment from the insurance can be reduced to account for the sick pay received from the employer, preventing overcompensation. Essentially, the insurance benefit is adjusted to ensure the total amount received from all sources does not exceed a certain percentage of the individual's previous salary.

## 10. Compared to income protection and decreasing term assurance, how does family income benefit typically compare in cost?

- A. More expensive
- B. Usually cheaper**
- C. About the same
- D. Variable depending on health status

Family income benefit is generally considered to be usually cheaper than both income protection and decreasing term assurance for several reasons related to its structure and payout nature. Family income benefit pays out a regular income rather than a lump sum in the event of the policyholder's death. This can make it a more affordable option for families looking to secure ongoing financial support while potentially covering day-to-day expenses. Typically, the likelihood of needing to provide a continuous income rather than a larger one-time payment can lead to lower overall premiums for this type of policy. Moreover, family income benefit is usually designed with lower sums assured since it focuses on providing a monthly income that replaces lost earnings rather than covering a specific financial liability. This can further contribute to its lower cost when compared to policies like income protection, which aims to replace an individual's earnings, or decreasing term assurance, which provides a decreasing payout over a specified term. These aspects of family income benefit are key in making it a cost-effective choice, especially for individuals or families looking for reliable monthly financial support.

# 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://ciicertininsurer05.examzify.com>**

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

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