

CII CERTIFICATE IN INSURANCE - INSURANCE, LEGAL AND REGULATORY (IF1) PRACTICE TEST (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



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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 main function of an insurance broker?

- A. To assist an insurer with quantifying the amount payable in the event of a valid claim.
- B. To assist a proposer in effecting the best type of cover for his needs.
- C. To provide cover for a proposer whose risk has not been accepted by insurers.
- D. To underwrite and accept risks for the insurer to which he is tied.

2. Which policy covers the dishonest appropriation of goods by an employee?

- A. Employers' liability
- B. Fidelity guarantee
- C. Public Liability
- D. Money

3. Which characteristic is least associated with an independent intermediary's role?

- A. Placing business for clients
- B. Acting on behalf of the insurer
- C. Advising on insurance products
- D. Evaluating market risks

4. How does the continuing duty of disclosure on the insured under a motor policy usually arise?

- A. It is an onerous policy condition.
- B. It is an FCA rule.
- C. It is a common law requirement.
- D. It is a statutory requirement.

5. How is a peril defined in insurance terms?

- A. A specific type of damage
- B. A cause of loss
- C. A form of covered incident
- D. A restriction to coverage

- 6. How much will insurers pay Georgina for her lost engagement ring valued at £7,200 under an agreed value policy?**
- A. £4,500
 - B. £7,200
 - C. £7,500
 - D. £8,000
- 7. What type of insurance policy typically does not cover indirect losses?**
- A. Property insurance
 - B. Liability insurance
 - C. Fidelity insurance
 - D. Health insurance
- 8. Which of the following is not a type of compulsory insurance in the UK?**
- A. Public liability insurance for riding establishments
 - B. Employers' liability insurance
 - C. Travel insurance
 - D. Motor insurance
- 9. What is the primary purpose of Insurance Premium Tax?**
- A. To support customers of insolvent insurers
 - B. To raise revenue for the government
 - C. A charge levied to join the Association of British Insurers
 - D. A charge levied to be a Chartered Insurance Institute member
- 10. Why is risk management important to underwriters?**
- A. It reduces the potential for loss and assists in quantifying risks.
 - B. It is a fee-earning opportunity and encourages customer loyalty.
 - C. It is the best way to assess and quantify the sums insured at risk.
 - D. It is the main way for an insurer to gain an understanding of a policyholder's business

Answers

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

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Explanations

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1. What is the main function of an insurance broker?

- A. To assist an insurer with quantifying the amount payable in the event of a valid claim.
- B. To assist a proposer in effecting the best type of cover for his needs.**
- C. To provide cover for a proposer whose risk has not been accepted by insurers.
- D. To underwrite and accept risks for the insurer to which he is tied.

The main function of an insurance broker is to assist a proposer in effecting the best type of cover for their needs. Brokers act as intermediaries between clients seeking insurance and insurance companies, utilizing their expertise and market knowledge to identify suitable policies that match the specific requirements and financial situations of their clients. They analyze the coverage options available and provide personalized advice, helping clients understand various policies, premiums, and terms of coverage. This is essential in a complex insurance market, ensuring that clients make informed decisions that adequately protect their interests. The other options do not accurately reflect the primary role of an insurance broker. Assisting an insurer with claims quantification is typically a function more related to claims handlers or adjusters. Providing cover for a proposer whose risk has not been accepted by insurers falls outside the broker's role, as brokers do not create or underwrite insurance policies but instead help clients find coverage that is available in the market. Lastly, underwriting and accepting risks is the responsibility of the insurers themselves, not brokers, who do not have the authority to bind coverage but rather facilitate the placement of insurance.

2. Which policy covers the dishonest appropriation of goods by an employee?

- A. Employers' liability
- B. Fidelity guarantee**
- C. Public Liability
- D. Money

The fidelity guarantee policy is specifically designed to protect businesses against losses caused by dishonest or fraudulent acts of their employees. This type of insurance covers situations where an employee appropriates goods, money, or property for their own use, thereby causing a financial loss to the employer. By focusing on the actions of employees, fidelity guarantee insurance is crucial for businesses that handle a significant amount of cash or valuable goods, as it provides peace of mind regarding the trust placed in their staff. Such coverage is vital for mitigating risks related to employee dishonesty, which can manifest in various forms, including theft and embezzlement. Other options, while important within the insurance realm, do not specifically focus on the dishonest acts of employees. Employers' liability covers claims from employees injured at work, public liability protects against claims from the public for injury or damage, and money insurance usually covers loss of cash or negotiable instruments. None of these directly addresses the scenario of employee dishonesty regarding goods.

3. Which characteristic is least associated with an independent intermediary's role?

- A. Placing business for clients
- B. Acting on behalf of the insurer**
- C. Advising on insurance products
- D. Evaluating market risks

An independent intermediary, such as a broker, primarily acts in the best interest of their clients rather than on behalf of any specific insurer. This means they focus on finding the most suitable insurance solutions for their clients instead of advocating for the interests of a particular insurance company. Their role includes placing business for clients, advising on various insurance products, and evaluating market risks to provide informed recommendations. In contrast, acting on behalf of the insurer implies a relationship where the intermediary is more aligned with the insurer's interests, which contradicts the independent nature of their role. An independent intermediary's autonomy allows them to offer a broader range of options and tailored advice without being restricted by any single insurer's products or policies. This independence is vital in helping clients make informed decisions based on comprehensive market evaluations.

4. How does the continuing duty of disclosure on the insured under a motor policy usually arise?

- A. It is an onerous policy condition.**
- B. It is an FCA rule.
- C. It is a common law requirement.
- D. It is a statutory requirement.

The continuing duty of disclosure under a motor policy typically arises as a common law requirement. This duty means that the insured must, throughout the life of the policy, keep the insurer informed about any material changes to their circumstances that could affect the risk being insured. This is rooted in the principle of utmost good faith, or "uberrima fides," whereby both parties must act honestly and transparently with each other. The notion that the duty is onerous is relevant but does not fully capture its nature. It emphasizes the obligation placed on the insured, which could be viewed as burdensome. However, the driving force behind this duty stems from common law, which establishes the framework for insurance contracts and the expectation of full and honest disclosure to prevent fraud and moral hazard. Choosing an alternative related to FCA rules or statutory requirements would misplace this duty as it is not specifically mandated by external regulatory bodies in that context but is inherent in the common law nature of insurance contracts.

5. How is a peril defined in insurance terms?

- A. A specific type of damage
- B. A cause of loss**
- C. A form of covered incident
- D. A restriction to coverage

In insurance terminology, a peril is defined as a cause of loss. This refers to specific events or situations that can lead to a loss or damage that is covered under an insurance policy. Common examples of perils include fire, theft, flood, or windstorm. Understanding perils is crucial because they delineate the boundaries of what an insurance policy will cover. The other options, while related, don't accurately define a peril. A specific type of damage would describe the effects of a peril rather than the cause itself. A form of covered incident is too vague and does not precisely convey that a peril specifically refers to the source of the loss. A restriction to coverage pertains to limitations within the policy or exclusions and is not related to the concept of a peril. Recognizing the distinction helps to clarify how insurance policies are structured and what risks they are designed to mitigate.

6. How much will insurers pay Georgina for her lost engagement ring valued at £7,200 under an agreed value policy?

- A. £4,500
- B. £7,200**
- C. £7,500
- D. £8,000

In an agreed value policy, the insurer and the insured have pre-established the value of the insured item—in this case, Georgina's engagement ring valued at £7,200. This means that in the event of a loss, the insurer will compensate the insured for that pre-agreed amount without requiring any deduction for depreciation or other factors that could affect market value at the time of loss. Therefore, since the ring was valued at £7,200, the insurer will pay Georgina the full amount of the agreed value, which is £7,200. This concept ensures that the insured party receives a predetermined sum rather than a fluctuating market value, providing clarity and reassurance for both the insurer and the policyholder.

7. What type of insurance policy typically does not cover indirect losses?

- A. Property insurance**
- B. Liability insurance
- C. Fidelity insurance
- D. Health insurance

Property insurance typically primarily covers direct losses, which involve damage to the insured property itself due to specific perils, such as fire, theft, or natural disasters. Direct losses are straightforward, as they are associated with the physical damage to the property being insured. Indirect losses, on the other hand, usually arise as a consequence of direct losses. They can involve situations such as loss of rental income or additional living expenses incurred while repairs are being made to the property. While some property insurance policies may include coverage for certain indirect losses, many standard property insurance forms do not cover these types of losses unless specifically endorsed. Other types of insurance, like liability insurance or health insurance, are designed with different purposes and may address indirect losses in their own context. For instance, liability insurance can cover consequential damages arising from a policyholder's actions, while health insurance can cover ancillary costs related to medical treatments. Fidelity insurance is focused on protecting against losses due to fraudulent acts of employees, which also does not align with the typical coverage framework of indirect losses. Understanding the difference between direct and indirect losses is critical when evaluating insurance policies to ensure adequate coverage for potential risks and losses.

8. Which of the following is not a type of compulsory insurance in the UK?

- A. Public liability insurance for riding establishments
- B. Employers' liability insurance
- C. Travel insurance**
- D. Motor insurance

In the UK, compulsory insurance refers to types of insurance that the law requires individuals or businesses to have in certain situations. Motor insurance is mandatory for all drivers, covering third-party liability in case of accidents. Employers' liability insurance is also compulsory for businesses that employ staff, protecting employees from work-related injuries and illnesses. Public liability insurance for riding establishments can be required under specific regulations that relate to the operation of such establishments. In contrast, travel insurance is not a legal requirement for individuals traveling, making it voluntary. While it's highly advisable due to the financial risks associated with travel disruptions or emergencies, such as medical expenses abroad, there is no legal mandate that requires travelers to purchase it before a trip. Hence, it is clear why travel insurance is the correct answer as it does not fall under the category of compulsory insurance in the UK.

9. What is the primary purpose of Insurance Premium Tax?

- A. To support customers of insolvent insurers
- B. To raise revenue for the government**
- C. A charge levied to join the Association of British Insurers
- D. A charge levied to be a Chartered Insurance Institute member

The primary purpose of Insurance Premium Tax is to raise revenue for the government. This tax is imposed on insurance premiums paid by policyholders and serves as a significant source of revenue that can be utilized for various public services and government functions. By taxing premiums, governments can fund essential services, infrastructure development, and other initiatives that benefit society as a whole. The concept of an Insurance Premium Tax is not aimed at providing financial support to customers of insolvent insurers, nor is it related to membership fees for associations or institutes in the insurance industry. Membership charges to join organizations such as the Association of British Insurers or the Chartered Insurance Institute are completely separate from the purpose and function of Insurance Premium Tax. Thus, the correct answer reflects the fundamental role of this tax in supporting governmental operations rather than serving any other specific function within the insurance sector.

10. Why is risk management important to underwriters?

- A. It reduces the potential for loss and assists in quantifying risks.**
- B. It is a fee-earning opportunity and encourages customer loyalty.
- C. It is the best way to assess and quantify the sums insured at risk.
- D. It is the main way for an insurer to gain an understanding of a policyholder's business

Risk management is crucial to underwriters primarily because it helps to reduce the potential for loss and assists in quantifying risks. By effectively identifying, analyzing, and minimizing risks, underwriters can better evaluate the likelihood of claims and understand the overall risk exposure associated with insuring a particular individual or business. This process allows them to determine appropriate policy terms, coverage limits, and premiums, ensuring the insurer remains financially stable while providing adequate protection for policyholders. Quantifying risks is particularly important as it enables underwriters to make informed decisions about which risks to accept, how much coverage to provide, and at what price. This understanding helps balance the insurer's portfolio, ensuring that they remain profitable while also providing necessary coverage to clients. The importance of risk management in underwriting fundamentally lies in its role in safeguarding the insurer's interests by minimizing potential losses and enhancing decision-making capabilities.

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://ciicertininsuranceif1.examzify.com>

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

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