

CII Insurance Law (M05) Practice Test (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 the term "indemnity" primarily refer to in insurance law?**
 - A. Full compensation for a loss.**
 - B. Partial compensation for a loss.**
 - C. A fixed sum paid upon a valid claim.**
 - D. Future profits lost during a claim.**
- 2. Which insurance coverage generally does not have a strict notification period for claims?**
 - A. Health Insurance**
 - B. Employers Liability Insurance**
 - C. Travel Insurance**
 - D. Homeowners Insurance**
- 3. Which insurance terms and conditions can reduce a policyholder's entitlement to full indemnity following a loss?**
 - A. An average clause**
 - B. A policy excess**
 - C. Both A and B**
 - D. None of the above**
- 4. What is the primary characteristic of an insurance contract between two parties?**
 - A. The intention to exchange money for services**
 - B. The expectation of profit from loss**
 - C. The legally binding agreement for risk coverage**
 - D. The guarantee of no loss**
- 5. What is typically the burden of proof in a civil tort case?**
 - A. Beyond a reasonable doubt**
 - B. Clear and convincing evidence**
 - C. Preponderance of evidence**
 - D. Substantial evidence**

- 6. When can an insurer change the terms of an insurance policy?**
- A. Only with approval from the regulatory body**
 - B. Upon discovery of careless misrepresentation**
 - C. When the policyholder requests changes**
 - D. To align with market standards**
- 7. Which party to the insurance contract will a proposed clause be construed against in the event of ambiguity, when added by a broker for a commercial policyholder?**
- A. Insurer**
 - B. Broker**
 - C. Policyholder**
 - D. United States Government**
- 8. What does the term 'tortfeasor' refer to?**
- A. A party who commits a tort**
 - B. A plaintiff in a tort case**
 - C. A lawyer specializing in torts**
 - D. A judge presiding over tort cases**
- 9. Under which conditions can assignment of life insurance policies occur without issues?**
- A. When the policyholder changes**
 - B. Provided the identity of the life insured remains unchanged**
 - C. When the policy value increases**
 - D. If approved by the insurance company**
- 10. Which type of relationship is typically excluded from automatic insurable interest?**
- A. Business partners**
 - B. Spouses**
 - C. Employers and employees**
 - D. Friends**

Answers

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

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Explanations

1. What does the term "indemnity" primarily refer to in insurance law?

- A. Full compensation for a loss.**
- B. Partial compensation for a loss.**
- C. A fixed sum paid upon a valid claim.**
- D. Future profits lost during a claim.**

The term "indemnity" in insurance law primarily refers to the principle that an insured party is entitled to full compensation for their loss, bringing them back to the financial position they were in prior to the loss occurring. This principle aims to prevent the insured from profiting from the insurance claim, ensuring that they receive an amount equivalent to the actual loss and are not unjustly enriched by it. This concept is fundamental in determining how insurance claims are managed and illustrated through various insurance policies that compensate for damages, losses, or liabilities that the insured faces. The notion of indemnity also plays a vital role in promoting fairness and stability in the insurance system, where the purpose is to provide security against unforeseen events without allowing the insured to gain more than what they lost. Other options in the question do reference aspects of compensation but do not capture the essence of indemnity as fully as the first choice does. Partial compensation, fixed sums, or lost future profits are all variations on compensation, but they do not encompass the complete restoration intended by the principle of indemnity.

2. Which insurance coverage generally does not have a strict notification period for claims?

- A. Health Insurance**
- B. Employers Liability Insurance**
- C. Travel Insurance**
- D. Homeowners Insurance**

Employers Liability Insurance is the correct choice because this type of coverage often allows for a degree of flexibility regarding notification periods for claims. Unlike other insurance products, which may stipulate a specific timeframe within which a claim must be reported, Employers Liability Insurance typically provides a more lenient approach. This can be particularly important in instances where the nature of the claim, such as workplace injuries, may not become apparent immediately or may involve complex legal proceedings that could delay a definitive claim report. Health Insurance usually involves clear and strict timelines for notifications, closely related to treatment and reimbursement processes. Travel Insurance often requires immediate notification of incidents to ensure coverage compliance and swift assistance. Homeowners Insurance typically includes specific conditions regarding claim notifications related to property damage or liability, which must adhere to set timeframes. In contrast, the flexibility in Employers Liability Insurance acknowledges the complexities of employer and employee relationships and potential legal actions, creating a different context for notifying insurers about claims. This flexibility reflects the understanding that the circumstances surrounding workplace incidents can vary significantly, impacting when and how claims are reported.

3. Which insurance terms and conditions can reduce a policyholder's entitlement to full indemnity following a loss?

- A. An average clause**
- B. A policy excess**
- C. Both A and B**
- D. None of the above**

The correct answer is that both an average clause and a policy excess can reduce a policyholder's entitlement to full indemnity following a loss. An average clause is often included in property insurance policies to ensure that the policyholder insures the property for its full value. When a policyholder underinsures their property, the average clause will come into play, and in the event of a loss, the insurer may only pay a proportion of the claim. This is calculated based on the level of insurance in relation to the actual value of the property at risk. Therefore, if a policyholder has insured their property for less than its value, they will not receive full indemnity, as the claim settlement will be adjusted downwards according to the average clause. A policy excess, on the other hand, refers to the amount that a policyholder must pay out of their own pocket when they make a claim. For example, if a policy has an excess of \$500 and the loss is \$2,000, the insurer will only cover the remaining \$1,500 after the excess is deducted. This means that the policyholder is not entitled to the full amount of the loss but rather a reduced amount after accounting for the excess. Both of these mechanisms work

4. What is the primary characteristic of an insurance contract between two parties?

- A. The intention to exchange money for services**
- B. The expectation of profit from loss**
- C. The legally binding agreement for risk coverage**
- D. The guarantee of no loss**

The primary characteristic of an insurance contract between two parties is that it is a legally binding agreement for risk coverage. An insurance contract serves to protect the insured party against certain risks by transferring the financial burden of those risks to the insurer in exchange for regular premium payments. This characteristic is essential because it establishes the fundamental nature of insurance as a risk management tool, where the insurer assumes the financial liability in the event of a covered loss, while the insured pays a premium for that assurance. The legal aspect ensures that both parties have rights and obligations clearly defined, providing recourse should either party fail to uphold their end of the agreement. In contrast, the intention to exchange money for services, while part of the transaction, does not capture the essence of what distinguishes insurance contracts. The expectation of profit from loss misrepresents the purpose of insurance, which is about risk mitigation rather than profit. Lastly, the notion of a guarantee of no loss is misleading, as insurance does not eliminate loss but rather provides a mechanism for compensation after a loss occurs. Thus, the legally binding nature focusing on risk coverage accurately reflects the essential characteristic of insurance contracts.

5. What is typically the burden of proof in a civil tort case?

- A. Beyond a reasonable doubt
- B. Clear and convincing evidence
- C. Preponderance of evidence**
- D. Substantial evidence

In a civil tort case, the burden of proof is established as "preponderance of evidence." This standard requires that the party bringing the lawsuit (the plaintiff) must demonstrate that their version of the facts is more likely true than not true. This means that the evidence presented by the plaintiff must exceed 50% in credibility compared to the evidence from the defendant. This burden of proof is lower than in criminal cases, where the standard is "beyond a reasonable doubt." This difference reflects the nature of civil versus criminal proceedings; civil cases typically address disputes between private parties and seek compensation for damages rather than criminal penalties. "Clear and convincing evidence," while a higher standard than preponderance of evidence, is not commonly applied in tort cases but may be relevant in certain areas such as fraud or termination of parental rights. "Substantial evidence" is also a term more typically associated with administrative law and judicial review of government actions, rather than a standard for proving cases in civil tort law. Thus, preponderance of evidence is the correct standard for civil tort cases, aligning with the established legal principles governing such matters.

6. When can an insurer change the terms of an insurance policy?

- A. Only with approval from the regulatory body
- B. Upon discovery of careless misrepresentation**
- C. When the policyholder requests changes
- D. To align with market standards

The ability of an insurer to change the terms of an insurance policy is influenced significantly by the nature of the circumstances surrounding the policy. A key condition under which an insurer can make such changes is indeed upon discovery of careless misrepresentation by the insured. This means that if the insurer finds that the policyholder has provided false or misleading information that affects the risk being insured, it is within the insurer's rights to adjust the policy terms accordingly. This is because the insurer relies on the accuracy of the information provided at the time of underwriting the policy and if it becomes apparent that misrepresentations were made, the insurer's obligation under the policy may change. Changes due to careless misrepresentation are essential to the risk assessment process, as insurers must ensure they are accurately reflecting the risk they are underwriting. This principle is foundational in insurance law and helps protect the integrity of the insurance contract. In contrast, while regulatory approval might often be required for significant policy changes, this does not universally apply to all minor adjustments or to changes prompted by misrepresentations. Similarly, while a policyholder can request adjustments, the insurer is not obligated to comply with all such requests, particularly if they believe modifications could increase their risk unnecessarily. Aligning with market standards is also an important factor

7. Which party to the insurance contract will a proposed clause be construed against in the event of ambiguity, when added by a broker for a commercial policyholder?

A. Insurer

B. Broker

C. Policyholder

D. United States Government

In contract law, particularly within the context of insurance contracts, ambiguity in the language of a clause typically leads to a principle known as "contra proferentem." This principle dictates that any ambiguous wording in a contract is generally interpreted against the interests of the party that drafted the clause or added it to the contract. In this case, if a clause was added by a broker on behalf of the commercial policyholder, the interpretation of that clause will typically favor the policyholder. The rationale is based on the assumption that the broker, who acts as an agent for the policyholder, is endorsing the intentions and understanding of the commercial policyholder when incorporating such clauses. Therefore, should any ambiguities arise, those would be construed in favor of the policyholder to uphold their interests and expectations in the insurance agreement. The other parties mentioned, such as the insurer and the broker, would not be viewed in the same light when interpreting ambiguities introduced by the broker on behalf of the policyholder. The insurer is typically not the party that drafted the clause under consideration, and the broker's role is to facilitate and represent the policyholder's needs. The United States Government is not directly involved in the contractual relationship between the broker, policyholder, and insurer.

8. What does the term 'tortfeasor' refer to?

A. A party who commits a tort

B. A plaintiff in a tort case

C. A lawyer specializing in torts

D. A judge presiding over tort cases

The term 'tortfeasor' specifically refers to a party who commits a tort, which is a wrongful act or infringement of a right leading to civil legal liability. In the context of tort law, the tortfeasor is the individual or entity responsible for causing harm or injury to another party through their actions or negligence. This definition underlines the concept that the tortfeasor is the central focus in tort cases, as they are the ones from whom the injured party seeks compensation or remedy for the wrong done. The other options do not align with the definition of 'tortfeasor.' A plaintiff in a tort case is the party bringing the claim against the tortfeasor, while a lawyer specializing in torts is someone who represents plaintiffs or defendants in tort cases, and a judge presiding over tort cases is the official who oversees the legal proceedings but does not engage in the acts that constitute a tort themselves. Thus, only the definition relating to a party committing a tort accurately encapsulates the meaning of 'tortfeasor.'

9. Under which conditions can assignment of life insurance policies occur without issues?

- A. When the policyholder changes**
- B. Provided the identity of the life insured remains unchanged**
- C. When the policy value increases**
- D. If approved by the insurance company**

The assignment of life insurance policies can occur smoothly as long as the identity of the life insured remains unchanged. This is because life insurance contracts are personal in nature, and the benefits are tied to the specific individual insured. When a policyholder assigns their policy to another party without changing the insured individual, the obligation of the insurer remains intact, and the original terms of the policy still apply. In contrast, if the identity of the insured were to change, this could lead to complications regarding premium payments, underwriting considerations, and the insurer's coverage obligations, potentially invalidating the assignment. Therefore, maintaining the original insured's identity is crucial for ensuring that the assignment is recognized and upheld by the insurer without dispute.

10. Which type of relationship is typically excluded from automatic insurable interest?

- A. Business partners**
- B. Spouses**
- C. Employers and employees**
- D. Friends**

The correct answer identifies friendships as a type of relationship that generally lacks automatic insurable interest. Insurable interest is a legal principle that requires the policyholder to have a stake in the insured entity or individual, such that they would suffer a financial loss in the event of a covered loss or damage. In typical insurance contexts, relationships like those between business partners, spouses, or employers and employees usually manifest a clear insurable interest. Business partners, for instance, have a financial stake in each other's business interests, making it rational for them to insure against losses that could affect their partnership. Similarly, spouses often have significant financial dependencies and shared assets, creating a natural insurable interest. Employers generally possess insurable interest in their employees as they bear financial responsibility for their welfare, and the productivity loss that could arise from an employee's incapacity or death. Conversely, friendships do not inherently establish financial stakes or dependencies that would constitute insurable interest. Though one might care about a friend's wellbeing, there is typically no direct financial implication or legal obligation that necessitates insurance coverage, making this relationship less likely to involve automatic insurable interest in the realm of insurance law. This distinction is important as it underscores the necessity of having a legitimate financial risk or stake in the

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://ciiinsurancelaw.examzify.com>

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