CII CERTIFICATE IN INSURANCE - FINANCIAL PROTECTION (R05) PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Table of Contents

Copyright 1

Table of Contents 2

Introduction 3

How to Use This Guide 4

Questions 5

Answers 8

Explanations 10

Next Steps 16

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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.

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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!

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Questions

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1. Private medical insurance is specifically designed to cover which type of conditions?

A. Chronic conditions

B. Acute conditions only

C. Terminal conditions

D. All medical conditions

2. How do premiums change in an increasing term assurance policy?

A. They remain constant each year

B. They decrease over time

C. They increase each year

D. They vary based on the insured's age

3. What is the typical deferred period for a weekly sickness benefit under a personal sickness policy?

A. 2 weeks

B. 4 weeks

C. 6 weeks

D. 8 weeks

4. Who is responsible for paying the Inheritance Tax (IHT) liability in a discretionary trust?

A. Trustee

B. Beneficiary

C. Settlor

D. Executor

5. When prioritizing life cover needs for a client, which should be given the highest priority?

A. Short term needs such as school fees

B. Ensuring the family can maintain the same standard of living

C. Capital needs such as mortgage repayment

D. Ensuring the family can enjoy a higher standard of living

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6. Which factor is currently more influential in insurance pricing?

A. Mortality rates

B. Claims from natural disasters

C. Morbidity rates

D. Claims from accidents

7. What is the maximum loan amount covered by Support for Mortgage Interest (SMI) and the typical maximum waiting period?

A. £150,000 and 26 weeks

B. £200,000 and 39 weeks

C. £250,000 and 52 weeks

D. £300,000 and 12 weeks

8. What is the maximum gross tax relievable premium Michael can pay into a new term assurance policy?

A. £6,000

B. £40,000

C. None (premiums are not tax relievable)

D. £3,000

9. Which type of protection policy is typically associated with a viatical settlement?

A. Term insurance

B. Income protection insurance

C. Life assurance

D. Critical illness cover

10. Why might a whole of life policy with a sum assured of £100,000 have only paid out £55,000?

A. The policy was cancelled

B. Underwriters had imposed a policy debt

C. The claimant was not eligible

D. Premiums were not fully paid

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Answers

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

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Explanations

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1. Private medical insurance is specifically designed to cover which type of conditions?

A. Chronic conditions

B. Acute conditions only

C. Terminal conditions

D. All medical conditions

Private medical insurance is primarily designed to cover acute conditions, which are illnesses or injuries that occur suddenly and typically need immediate medical attention but are not expected to last long. This type of insurance is focused on providing swift access to treatment for such conditions, ensuring that individuals can receive care promptly and recover as quickly as possible. Acute conditions include a range of issues such as accidents, infections, or surgical needs, which are often addressed with relatively short-term medical interventions. The design of private medical insurance emphasizes providing efficient treatment options for these instances, enhancing the patient's recovery experience. While some policies may have provisions that address chronic and terminal conditions, they are not the main focus of private medical insurance. Chronic conditions are ongoing and require long-term management and treatment, which often falls under public healthcare systems or specialized care programs, rather than the immediate care approach of private insurance. Terminal conditions, on the other hand, are typically associated with end-of-life care, which may not align with the core purpose of private medical coverage focused on restoring health from acute episodes. Thus, the designation of private medical insurance to cover primarily acute conditions highlights its role in promptly addressing urgent medical needs, aligning with the expectations of those seeking fast and effective healthcare solutions.

2. How do premiums change in an increasing term assurance policy?

A. They remain constant each year

B. They decrease over time

C. They increase each year

D. They vary based on the insured's age

In an increasing term assurance policy, the premiums are typically structured to increase each year. This type of policy is designed to provide a death benefit that also rises over the term of the policy, often in line with inflation or predetermined increments. As the coverage amount increases, the insurer's risk also grows, leading to higher premiums to account for that increased risk over time. The rationale behind the increasing premiums is that as individuals age, their likelihood of dying increases, which also raises the cost of providing insurance. Therefore, in order to maintain adequate coverage throughout the term, the premiums need to be adjusted upwards. This structure ensures that both the insured's coverage and the associated costs are aligned, which is particularly appealing for those looking to cover future financial responsibilities that may grow with inflation or other factors.

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3. What is the typical deferred period for a weekly sickness benefit under a personal sickness policy?

A. 2 weeks

B. 4 weeks

C. 6 weeks

D. 8 weeks

The typical deferred period for a weekly sickness benefit under a personal sickness policy is often around four weeks. This period, also known as the waiting period, is the time that an insured individual must wait after a claim is made before benefits become payable. A four-week deferred period strikes a balance between providing timely support to policyholders while also managing the risk for insurers. A shorter deferred period might lead to increased claims frequency and costs for insurers, while longer periods might not provide the immediacy of support that policyholders need following a serious illness or injury. This is why four weeks is commonly adopted in many personal sickness policies, aligning with standard practice in the insurance industry.

4. Who is responsible for paying the Inheritance Tax (IHT) liability in a discretionary trust?

A. Trustee

B. Beneficiary

C. Settlor

D. Executor

In a discretionary trust, the responsibility for paying Inheritance Tax (IHT) liability primarily lies with the trustee. This is because, as the legal owner of the trust assets, the trustee holds the obligation to manage those assets and ensure that any tax liabilities are settled. The trustee must either pay the IHT out of the trust funds or ensure that the tax is accounted for when distributing the trust assets. The beneficiaries, while they benefit from the trust, are not responsible for settling the IHT themselves, as this liability is not directly theirs; it pertains to the trust estate. The settlor, who is the person that created the trust, may have implications for tax responsibility but typically does not pay the tax from personal funds once the trust is established. Executors, on the other hand, are responsible for paying IHT on the deceased's estate before the estate is distributed, rather than on the discretionary trust itself. This outlines why the best answer is the trustee, who has the fiduciary duty to manage the trust's tax obligations effectively.

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5. When prioritizing life cover needs for a client, which should be given the highest priority?

A. Short term needs such as school fees

B. Ensuring the family can maintain the same standard of living

C. Capital needs such as mortgage repayment

D. Ensuring the family can enjoy a higher standard of living

In prioritizing life cover needs for a client, ensuring the family can maintain the same standard of living is the most important consideration. This is because life cover serves to protect the financial stability of dependents in the event of the breadwinner's untimely death. Maintaining the same standard of living ensures that the family's essential needs—such as housing, food, and basic healthcare—are met without significant disruption. If a client were only to focus on short-term needs, like school fees, or capital needs, such as mortgage repayment, they might overlook the broader implications of financial security for the family as a whole. While these aspects are important, they are often part of the larger goal of sustaining overall living standards. Additionally, focusing solely on ensuring the family enjoys a higher standard of living may not be realistic or necessary and could divert funds from more critical immediate needs. Thus, prioritizing life cover needs must revolve around safeguarding a family's ongoing lifestyle and financial resilience, making the maintenance of their standard of living essential in this planning process.

6. Which factor is currently more influential in insurance pricing?

A. Mortality rates

B. Claims from natural disasters

C. Morbidity rates

D. Claims from accidents

The correct answer is morbidity rates because they play a crucial role in determining the cost of health insurance and the pricing of life insurance products. Morbidity rates refer to the incidence and prevalence of disease and the associated costs of healthcare. As healthcare costs rise and the aging population increases, understanding morbidity helps insurers calculate the risk they are assuming and set premiums accordingly. Health insurance, in particular, relies heavily on morbidity data to estimate the likelihood of future claims and the costs associated with those claims. If morbidity rates rise due to an increase in chronic illnesses or new health trends, insurers must adjust their pricing models to remain financially viable. Claims from natural disasters, while significant, typically relate more to property and casualty insurance rather than life or health insurance. Mortality rates are indeed important in life insurance pricing but are often considered in conjunction with morbidity rates to provide a holistic view of risk. Claims from accidents can affect specific types of insurance but do not have the overarching influence on pricing like morbidity rates do in the context of health and life insurance.

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7. What is the maximum loan amount covered by Support for Mortgage Interest (SMI) and the typical maximum waiting period?

A. £150,000 and 26 weeks

B. £200,000 and 39 weeks

C. £250,000 and 52 weeks

D. £300,000 and 12 weeks

The correct answer outlines that the maximum loan amount covered by Support for Mortgage Interest (SMI) is £200,000, with a typical waiting period of 39 weeks. This aligns with the guidelines established for SMI, which offers financial assistance to eligible homeowners who are receiving certain social security benefits. Understanding the maximum loan amount is crucial for individuals seeking support; it ensures they know the limits of assistance available to them in times of financial difficulty. Additionally, the waiting period indicates the time frame individuals should expect before they begin to receive assistance, which can significantly impact their financial planning. The value of both the loan amount and the waiting period is informed by government policy, aiming to provide support to those most in need while also managing public funds effectively. These figures help ensure that SMI remains a viable resource for homeowners during periods of financial stress.

8. What is the maximum gross tax relievable premium Michael can pay into a new term assurance policy?

A. £6,000

B. £40,000

C. None (premiums are not tax relievable)

D. £3,000

In the context of term assurance policies, it's crucial to understand the tax relief implications associated with different types of life insurance products. Term assurance, typically designed to provide a death benefit to beneficiaries, does not allow for tax relief on premiums paid. This is due to the fact that term assurance policies are not classified in the same way as certain investment-oriented policies, where premiums can attract some form of tax relief. Instead, the premiums for term assurance are considered personal expenses without any associated tax deductions or reliefs. When evaluating the options, the statement that "premiums are not tax relievable" accurately reflects the nature of term assurance. Therefore, the maximum gross tax relievable premium that Michael can pay into a new term assurance policy is indeed none, as there are no tax reliefs applicable to these premiums. In contrast, the other options suggest amounts that imply some level of tax relief is available, which is not the case for term assurance.

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9. Which type of protection policy is typically associated with a viatical settlement?

A. Term insurance

B. Income protection insurance

C. Life assurance

D. Critical illness cover

A viatical settlement is a financial arrangement in which a person with a terminal illness sells their life insurance policy to a third party for a lump sum that is less than the full death benefit. The choice of life assurance as the correct answer is appropriate because viatical settlements primarily involve policies that provide a death benefit, which is characteristic of life assurance. Life assurance policies are designed to pay out a sum assured on the death of the insured, making them suitable for use in viatical settlements. In contrast, term insurance typically only provides coverage for a specified period, and if the insured does not pass away within that term, there is no payout, which is not conducive to a viatical settlement. Income protection insurance is meant to replace lost income due to inability to work, and critical illness cover provides a benefit upon diagnosis of specific illnesses rather than a death benefit. Therefore, they do not fit the context of a viatical settlement, which relies on the existence of a life insurance policy that yields a financial benefit upon death, affirming why life assurance is the correct choice in this scenario.

10. Why might a whole of life policy with a sum assured of £100,000 have only paid out £55,000?

A. The policy was cancelled

B. Underwriters had imposed a policy debt

C. The claimant was not eligible

D. Premiums were not fully paid

A whole of life policy typically provides a guaranteed sum assured upon death, but there are specific circumstances that could lead to a reduced payout. In this case, a situation where the policy has a sum assured of £100,000 but has only paid out £55,000 can be attributed to the imposition of a policy debt by underwriters. When premium payments are not made on time or are insufficient to keep the policy in force, the insurer may allow the policyholder to carry a debt against the policy. This means that the insurer deducts any outstanding premiums from the sum assured at the time of payout. Therefore, if the policy had an outstanding debt of £45,000 due to unpaid premiums or costs, the payout would be reduced accordingly to £55,000 instead of the full £100,000. This highlights the importance of maintaining premium payments in order to ensure that the full benefits of the policy are realized without any reductions due to debts incurred from non-payment.

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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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