

RIBO-Level-1 Exam Cram Pdf, RIBO-Level-1 New Study Notes

RIBO Level 1 – Review Questions with complete solution

Non-disclosure - correct answer ✓Withholding facts necessary to underwrite a risk

Independent Adjuster - correct answer ✓Someone who adjusts losses on behalf of the insurance companies, but is not employed by them

Reinsurance - correct answer ✓A form of insurance whereby one insurance company (the reinsurer) in consideration of a premium paid to it, agrees to indemnify another insurance company (the ceding company) for part or all of its liabilities from insurance policies it has issued.

Stock Companies - correct answer ✓owned by shareholders, they are for profit and it comes from underwriting and investment income. The capital comes from shareholders and cannot be assessed

Assessment or Premium Note - correct answer ✓Owned by members/policyholders, not for profit. The capital comes from premium notes (insurance premiums) and assessments. They do not pay dividends and they can be assessed.

Factory Mutual - correct answer ✓Owned by policyholders who are members and they are not for profit. Capital comes from members and policyholders. Does not pay dividends and they can be assessed. Benefit to policyholders is expertise on reducing fire hazards and loss prevention.

Stock Mutual - correct answer ✓Owned by shareholders, not for profit, its a mutual that provides insurance to shareholders. Capital comes from

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questions.

IIC RIBO Level 1 Entry-Level Broker Exam Sample Questions (Q81-Q86):

NEW QUESTION # 81

A well-known professional football player contacts you for Travel Health insurance. The football player tells you they intend to be scuba diving while away and asks if the Travel Health policy will respond to a claim if the football player is injured while in the water. How would you respond?

- A. The exact circumstances of the injury occurring would determine whether or not a claim would be accepted.
- B. The claim would be denied as the football player is a professional athlete.
- C. Travel health plan restrictions for sporting injury vary from insurer to insurer.
- D. The claim would be covered under all travel health policies.

Answer: C

Explanation:

This question explores the nuances of Specialty Lines within the Insurance Product Knowledge competency.

Travel Health insurance is not a "one-size-fits-all" product; it is highly contract-specific, particularly regarding exclusions for high-risk activities or professional occupations.

Under the RIBO Level 1 Blueprint, a broker must understand that "Hazardous Pursuits" or "High-Risk Sports" are standard exclusions in many travel policies. Some insurers exclude scuba diving altogether, while others only exclude it if the diver is not certified or exceeds a certain depth. Furthermore, being a professional athlete introduces another layer of risk that many standard underwriters are hesitant to accept, as an injury could lead to complex claims related to their professional career.

The correct professional response (Option B) highlights the broker's duty to conduct a Market Search. The broker cannot give a definitive "yes" or "no" without reviewing the specific wording of the carrier they intend to use. As part of Consulting and Advising, the broker must review the "Exclusions" section of various policies to find a "suitable" match for the client's specific needs. Failing to do so—and simply assuming coverage exists—could lead to a devastating Errors and Omissions (E&O) claim if the athlete is injured and the insurer denies the claim based on a "professional sports" or "hazardous activity" exclusion. This scenario reinforces the broker's role in Risk Identification and Assessment, ensuring that the client is fully aware of any limitations before they depart.

NEW QUESTION # 82

Iqbal was involved in an automobile accident and was charged with the impaired operation of a motor vehicle.

As a result, the insurance company is declining to repair Iqbal's vehicle under his collision coverage. Iqbal is adamant that he was not impaired at the time of the accident. What should the Broker do?

- A. Advise Iqbal that he has the option to file a not guilty response. Upon evidence that the impaired conviction is dismissed, the Broker will submit this documentation to the insurer for settlement under the collision coverage on his policy.
- B. Advise Iqbal that as he has been charged with impaired operation of a motor vehicle, he has voided his automobile policy, including the collision portion. There is nothing that can be done to repair or replace his vehicle under his insurance policy.
- C. Remind Iqbal that he should not have been driving while his ability to do so was impaired. Provide a quote for a new policy and include the surcharge that would follow an impaired conviction.
- D. Advise Iqbal that even though he was at fault in the accident he should seek legal council and bring suit against the other driver in the hopes that he could get some money to repair or replace his vehicle.

Answer: A

Explanation:

This scenario tests a broker's proficiency in Claims Services and their understanding of the OAP 1 Statutory Conditions regarding prohibited use and the impact of criminal charges on indemnity. Under Ontario law, an insurer may deny a collision claim if the driver is convicted of an offense under the Criminal Code related to impaired driving. However, a "charge" is not a "conviction." According to the RIBO Competency Profile, a broker must assist the client in navigating the claims process fairly. The broker's role is to explain that while the insurer has the right to withhold payment pending the outcome of the legal proceedings, the coverage is not necessarily lost forever. If the charges are dismissed or the client is found not guilty, the exclusion for "prohibited use" (driving while impaired) no longer applies, and the insurer must settle the claim. Advising the client to pursue their legal rights and explaining the conditional nature of the claim denial is essential for Professionalism and Integrity. Option A is incorrect because it treats a charge as a conviction, which prematurely voids the insured's rights. The Blueprint emphasizes that Level 1 brokers must recognize the difference between a breach of a policy condition and a temporary suspension of benefits pending legal clarity. This ensures that the broker provides Consulting and Advising that is legally sound and protects the client from being unfairly penalized before due process is completed.

NEW QUESTION # 83

In the event of a theft of a three-year-old laptop, the insurer offers a settlement based on "Actual Cash Value" (ACV) because the insured does not have a Replacement Cost endorsement. How is this settlement amount determined?

- A. The insurer pays the original price the insured paid three years ago.
- B. The insurer pays the current cost to replace the laptop minus a deduction for depreciation.
- C. The insurer pays the amount the insured thinks the laptop is worth.
- D. The insurer pays the cost of a brand-new laptop of the same quality today.

Answer: B

Explanation:

This question explores the Principle of Indemnity and the technical application of Property Valuation within the Critical and Analytical Thinking competency. Actual Cash Value (ACV) is the "traditional" method of settlement in property insurance, designed to return the insured to their exact financial position just prior to the loss.

ACV is calculated as Replacement Cost minus Depreciation (Option C). For a three-year-old laptop, the insurer first determines what a "like kind and quality" laptop would cost today. They then apply a "depreciation" factor based on the age, condition, and expected lifespan of the device. Because technology depreciates rapidly, the ACV settlement will be significantly lower than the original purchase price.

Under the RIBO Level 1 Blueprint, a broker must be able to perform this mental "valuation check" during Consulting and Advising. If a client carries a "Standard" fire policy or a "Named Perils" form that does not include Replacement Cost, they will be disappointed by an ACV settlement. The broker's role is to identify this risk and recommend a Replacement Cost Endorsement for contents.

By explaining the "depreciation" concept clearly, the broker fulfills their duty of Information Management and ensures the client understands the difference between "indemnity" and "new for old" coverage. This prevents disputes during Claims Services and protects the broker from Errors and Omissions (E&O) claims where a client alleges they were never told about the lower settlement method. Accurate risk assessment regarding valuation is a hallmark of a competent entry-level broker.

NEW QUESTION # 84

A building worth \$500,000 is insured for \$300,000 with a 90% co-insurance clause. A fire causes \$200,000 damage. How much does the insurer pay?

- A. \$200,000
- B. \$100,000
- C. \$133,333.33
- D. \$122,222.22

Answer: C

Explanation:

This question tests the Critical and Analytical Thinking competency through a mathematical application of the Co-insurance Clause, a fundamental concept in commercial and some personal property insurance. The purpose of the co-insurance clause is to encourage the insured to maintain adequate limits of insurance relative to the value of the property. If the insured fails to meet the required percentage, they become a "co-insurer" and must share in the loss.

The formula for co-insurance is: $(\text{Amount of Insurance Carried} / \text{Amount of Insurance Required}) \times \text{Amount of Loss} = \text{Claim Payment}$.

In this scenario:

- * Value of building: \$500,000.
- * Required amount (90%): $\$500,000 \times 0.90 = \$450,000$.
- * Amount carried (Did): \$300,000.
- * Amount required (Should): \$450,000.
- * Loss: \$200,000.

Calculation: $(\$300,000 / \$450,000) \times \$200,000 = (2/3) \times \$200,000 = \$133,333.33$.

The RIBO Level 1 Blueprint emphasizes that brokers must not only perform this calculation but also explain the implications of underinsurance to their clients during the Consulting and Advising phase. By failing to insure the building for at least \$450,000, the client has suffered a penalty of \$66,666.67 on a \$200,000 loss. A broker's ability to identify this risk and assess the correct replacement cost value is vital to avoiding Errors and Omissions (E&O). This calculation demonstrates the practical application of property valuation and the contractual consequences of failing to maintain insurance to value, ensuring the broker provides a professional assessment of the client's financial exposure.

NEW QUESTION # 85

What is NOT asked on an automobile application?

- A. Effective Date.
- B. Named Insured.
- C. License Plate.
- Loss Payee.

Answer: C

Explanation:

The Information Management competency involves the accurate completion of the Ontario Automobile Application (OAF 1). This document is the legal foundation of the insurance contract. A broker must know which "material facts" are required to bind coverage and which details are administrative or secondary.

The application requires the Named Insured (to establish insurable interest), the Effective Date (to establish when the contract begins), and any Loss Payee or lienholder (to protect the financial interests of lenders).

However, the License Plate number (Option C) is not typically a requirement on the initial application form.

While the plate is used to identify the vehicle on the road, the insurer identifies the risk using the Vehicle Identification Number (VIN), which is a permanent and unique identifier for the chassis. Plates can be transferred between vehicles or changed frequently, making them an unreliable underwriting data point.

The RIBO Level 1 Blueprint emphasizes that a broker must be diligent in collecting "material" information that affects the rating or the risk (like driving history or vehicle usage). Knowing what isn't required is just as important as knowing what is, as it allows the broker to streamline the Consulting and Advising process and avoid unnecessary delays. This technical knowledge ensures that the application is compliant with the Insurance Act and provides the insurer with the precise data needed to issue the Certificate of Insurance.

Mastery of the OAF 1 reflects the broker's Professionalism and Integrity, ensuring the "utmost good faith" required to form a valid insurance agreement is upheld from the outset.

NEW QUESTION # 86

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