

Test RIBO-Level-1 Questions - RIBO-Level-1 Study Group

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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IIC RIBO Level 1 Entry-Level Broker Exam Sample Questions (Q18-Q23):

NEW QUESTION # 18

Which statement accurately describes the consequences of a driver being excluded from an automobile policy using the OPCF 28A (Excluded Driver) endorsement?

- A. The excluded driver is still covered for \$200,000 in liability if they drive in an emergency.
- B. The vehicle is covered for fire and theft even if the excluded driver is behind the wheel.
- C. The excluded driver will not receive coverage for "most Accident Benefits" if they are injured while driving the insured vehicle.
- D. The insurer is still required to provide a legal defense for the excluded driver in a lawsuit.

Answer: C

Explanation:

The OPCF 28A (Excluded Driver) is a severe legal endorsement used to manage high-risk drivers within a household. Under the Legal and Regulatory Compliance and Insurance Product Knowledge competencies, a broker must understand that this form effectively makes the vehicle "uninsured" whenever the excluded person is driving it.

According to the RIBO Level 1 Blueprint, the 28A is a signed agreement between the owner and the excluded driver stating they will never drive the vehicle. If they do, the policy provides zero liability coverage, zero property damage coverage, and zero duty to defend (Option D is false). Crucially, the endorsement explicitly states that the excluded driver will not receive "most Accident Benefits" (Option B). While they might remain eligible for minimal funeral or death benefits in some cases, the bulk of the SABS (income replacement, medical, rehab) is void.

The broker's role in Consulting and Advising is to warn the client that an excluded driver caught behind the wheel—even in an emergency (Option A is false)—is considered to be driving without insurance, which carries a minimum fine of \$5,000 and the potential seizure of the vehicle under the Compulsory Automobile Insurance Act. This technical precision is essential for Risk Identification and Assessment. The broker must ensure both the owner and the driver sign the form, acknowledging they are "personally liable" for any damages. This scenario highlights the broker's ethical duty to provide "full and fair disclosure" of the massive risks associated with excluding a driver to save on premium costs.

NEW QUESTION # 19

An insurance policy with an annual premium of \$1,200 is cancelled by the insured exactly 6 months into the term. The insurer's "Short Rate Table" indicates that for a 6-month cancellation, the insurer is entitled to keep 60% of the annual premium as an administrative and earned cost. How much of a refund will the insured receive?

- A. \$480.
- B. \$500.
- C. \$600.
- D. \$720.

Answer: A

Explanation:

This question requires the application of Critical and Analytical Thinking to a financial transaction. The RIBO Level 1 Blueprint expects brokers to understand the difference between Pro-rata and Short-rate cancellations, as this directly affects the client's "indemnity" and financial outcome.

Under Statutory Conditions (and general contract law), when an insured requests a cancellation mid-term, the insurer is permitted to use a "Short Rate" calculation. This calculation allows the insurer to retain more than just the daily proportion of the premium to cover the fixed costs of issuing and servicing the policy.

In this scenario:

* Total Premium: \$1,200.

* Insurer's Retention (60%): $\$1,200 \times 0.60 = **\$720**$.

* Refund Amount: Total Premium (\$1,200) - Earned Premium (\$720) = \$480.

If this had been a Pro-rata cancellation (e.g., if the insurer had cancelled), the refund would have been exactly 50% (\$600). The Short-rate penalty in this case cost the client an additional \$120.

A broker's duty in Consulting and Advising is to warn the client of this "Short Rate" penalty before they sign the cancellation request. This is part of the Fair Treatment of Consumers—ensuring the client knows that moving their insurance purely for a small price saving might actually result in a net loss once the cancellation penalty is applied. This mathematical proficiency is a core requirement of the

Information Management competency, ensuring that all financial figures provided to the client are accurate and compliant with the insurer's filed rating rules.

NEW QUESTION # 20

While reviewing a client's policy file, you learn that a pending policy change requires documentation of their risk mitigation measures. What should you do to collect and properly store this information in compliance with RIBO regulations?

- A. Meet with the client to collect any relevant documentation, then store the hard copies in a secure file cabinet and in compliance with RIBO regulations.
- B. Ask the client to provide a verbal confirmation of their risk management practices, note it in their file, and store it in compliance with RIBO regulations.
- C. Schedule a meeting with the client to understand their current risk mitigation strategies and update the file accordingly.
- **D. Request electronic copies of the client's risk mitigation measures and securely store them with written confirmation of your discussion, in compliance with RIBO regulations.**

Answer: D

Explanation:

The Information Management and Legal and Regulatory Compliance competencies require brokers to maintain accurate, secure, and permanent records of all client interactions and "material facts." Under Ontario Regulation 991, a broker has a duty to provide a quality of service equal to what a reasonable member would provide. This includes documenting advice given and information received.

In the context of "risk mitigation measures" (e.g., proof of a backwater valve installation or a monitored alarm system), verbal confirmation (Option C) is insufficient and leaves the broker vulnerable to Errors and Omissions (E&O) if a loss occurs and the insurer denies the claim due to lack of proof. Option B is the professional standard because it combines tangible evidence (the electronic copies) with a contemporaneous note of the discussion.

The RIBO Blueprint emphasizes that "if it isn't in the file, it didn't happen." Proper storage includes ensuring the information is protected under cybersecurity protocols and remains accessible for at least 6 years. This documentation serves multiple purposes: it justifies the premium discounts to the insurer, protects the client in the event of a claim, and provides a defense for the broker during a RIBO "spot check" or audit. A Level 1 broker must demonstrate proficiency in using Broker Management Systems (BMS) to store these records securely, ensuring that the Broker-Client Relationship is founded on documented accuracy and regulatory compliance.

NEW QUESTION # 21

John, a newly licensed broker, learns about cybersecurity insurance from a friend but feels unsure about some aspects. With clients seeking advice, what steps should he take to improve his knowledge and assist them better?

- A. Assume that his current level of understanding will suffice for client interactions.
- **B. Enroll in a specialized online course focused on cybersecurity insurance.**
- C. Wait until he encounters a specific client query before seeking more knowledge.
- D. Forward any client inquiries about cybersecurity insurance to a more experienced broker.

Answer: B

Explanation:

The Continuous Learning and Development competency is a cornerstone of the RIBO Code of Conduct (Ontario Regulation 991). A broker has an ethical and regulatory duty to maintain a level of competence equal to the services they undertake. As the insurance landscape evolves with emerging risks like cyber threats, a broker cannot rely solely on initial licensing knowledge.

Under the RIBO Level 1 Blueprint, a broker must demonstrate "proactivity" in addressing knowledge gaps.

Enrolling in specialized education (Option A) is the most appropriate professional response. This aligns with Section 14 of Regulation 991, which states that a member shall be competent to perform the services they undertake. "Waiting for a query" (Option B) or "assuming current knowledge suffices" (Option C) places the client at risk and exposes the broker to Errors and Omissions (E&O) claims due to negligent misrepresentation. While collaboration (Option D) is a valid short-term strategy, the Competency Profile emphasizes that the individual licensee is responsible for their own professional growth to ensure they can provide independent, high-quality Consulting and Advising. In the modern era, where data breaches are a material risk for almost every business, technical proficiency in cyber insurance is no longer "optional"-it is a requirement for meeting the standard of care expected of a diligent broker in Ontario.

NEW QUESTION # 22

John's Excavating commercial liability policy shows the description of operation as construction. John advises his Broker that he will be doing some snow removal for a period of 60 days. What should John's Broker do?

- A. Advise the client that no action is required as the snow removal is being done for a short period of time.
- B. Advise the client to delay the snow-removal work until the policy renews to avoid complications.
- **C. Advise the client that the change in operations will be reported to the insurance company.**
- D. Advise the client there is automatic coverage under the Commercial General Liability policy for additional operations.

Answer: C

Explanation:

The Risk Identification and Classification competency is essential when managing commercial accounts. A Commercial General Liability (CGL) policy is underwritten based on a specific "Description of Operations." This description defines the scope of the risk the insurer is willing to cover. Snow removal is a distinct and significantly higher-risk operation than general excavation or construction due to the high frequency of third-party "slip and fall" liability claims.

Under the Insurance Act and the general principles of the insurance contract, an insured has a duty to report any material change in risk that is within their knowledge and control. Even if the activity is temporary (60 days), it represents a departure from the operations originally disclosed to the insurer. If the broker does not report this change, and a claim arises from the snow removal activity, the insurer may deny coverage or void the policy based on the failure to disclose a material change. By selecting C, the broker ensures they are acting in the best interest of the client by maintaining the integrity of the insurance contract. The underwriter may require an additional premium or a specific endorsement to cover the new exposure. The RIBO Blueprint requires Level 1 brokers to be able to identify shifts in a client's business model and understand that "silence" regarding a material change is a breach of the Statutory Conditions, potentially leaving the client uninsured for their most hazardous activities.

NEW QUESTION # 23

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