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## 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 (Q13-Q18):

### NEW QUESTION # 13

Leo, a Broker, is working on four different requests for new Automobile Insurance quotes that are due by the end of the day. While working on the requests, Leo receives an email from an existing client about a Sewer Back-Up claim in progress. What should Leo do next?

- A. In compliance with The All-Comers (TAC) Rule, continue working on the Automobile quotes and contact the client later in the day.
- B. **Contact the client to assess the severity of the damage, provide reassurance and start the claims process.**
- C. Assume the client has already reported the claim to their Insurance Company and take no action.
- D. Inform the clients that they will contact them once they have completed the Automobile quotes.

### Answer: B

#### Explanation:

This scenario tests the broker's ability to prioritize tasks under the Professionalism, Integrity, and Ethics and Claims Services competencies. A broker's primary duty is the "Fair Treatment of Consumers," which involves balancing the acquisition of new business with the service of existing clients during a crisis.

While the Take-All-Comers (TAC) Rule mandates that brokers must provide quotes to eligible consumers without delay, it does not supersede the urgent duty of care owed to an existing client facing an active loss. A sewer backup is an emergency that can cause escalating property damage and health risks. Under the RIBO Code of Conduct, a broker must provide "competent" service, which includes assisting in the claims process

"promptly." By choosing Option C, Leo demonstrates the Relationship Management skills required to reassure a distressed client and the technical knowledge to initiate the claims process immediately. This

"triage" approach ensures that the client can take mitigation steps (like hiring a professional restoration crew) to minimize the loss, which is also in the insurer's best interest.

The RIBO Level 1 Blueprint emphasizes that brokers must manage their time effectively but always prioritize "high-stakes" events like an active claim over "administrative" tasks like standard quoting. Ignoring a claim email (Option A) or delaying contact (Option B and D) could lead to an Errors and Omissions (E&O) claim if the delay results in worsened damage or if the client misses a critical reporting window. This question highlights that being a broker is a "service-first" profession where the protection of current policyholders remains the highest ethical priority.

### NEW QUESTION # 14

When not connected to a vehicle, an uninsured parked trailer causes a liability loss. Which policy would respond to this loss?

- A. There is no coverage available.
- B. **Home, condominium or tenant policy.**
- C. Business policy.
- D. The automobile policy.

### Answer: B

#### Explanation:

This question explores the intersection between Automobile Insurance (OAP 1) and Personal Liability (Section II of a Homeowners Policy). In Ontario, the liability coverage for a trailer is determined by its status: whether it is "attached" or "detached."

Under the OAP 1, liability coverage extends to a trailer while it is being towed by a power unit (the automobile) described in the policy. However, once the trailer is detached and parked, it is no longer considered a "motor vehicle" in operation. If a detached, parked trailer causes injury or property damage to a third party (for example, if it rolls down a driveway or someone trips over the hitch while it is on the insured's property), the Automobile Policy will not respond because the loss did not arise from the "ownership, use, or operation" of an automobile.

Instead, the Personal Liability section of a Homeowners, Condominium, or Tenant policy is designed to cover the insured's legal liability for such incidents. Standard habitational forms typically include coverage for trailers that are not being towed or carried on an

automobile. The RIBO Level 1 Blueprint requires brokers to understand this transition of risk. During Consulting and Advising, a broker must ensure the client knows that while their auto policy covers the trailer on the road, their property policy provides the necessary "premises liability" once it is unhooked. This technical distinction is vital for accurate Risk Identification and Assessment, ensuring that the client is never left in a "coverage gap" between their home and auto insurance contracts.

### NEW QUESTION # 15

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 claim would be covered under all travel health policies.
- 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 exact circumstances of the injury occurring would determine whether or not a claim would be accepted.

#### 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 # 16

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

#### Answer: A

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: (Amount of Insurance Carried / Amount of Insurance Required) x Amount of Loss = 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 # 17**

A broker discovers the client does not have sewer back up coverage, and that the location now qualifies for it. What should the broker do next?

- A. Notify the client 60 days prior to renewal, offer to quote & add.
- B. Immediately add the coverage, notify the client.
- C. Notify the client 30 days prior to renewal, offer to quote & add.
- D. **Notify the client immediately, quote sewer backup, offer to add.**

**Answer: D**

Explanation:

This scenario highlights the Consulting and Advising and Risk Identification competencies. A broker has a professional duty of care to advise their clients on available coverages that are relevant to their specific risk profile.

According to the RIBO Code of Conduct (Regulation 991), a broker must be "candid and honest" and must act in the best interest of the client. Since sewer backup is a high-impact peril that can cause devastating financial loss, waiting for the renewal (Options A or D) is considered a failure in the broker's duty. If a flood were to occur between the time the broker discovered the eligibility and the renewal date, the broker could be held liable for an Errors and Omissions (E&O) claim for failing to advise the client of a known protection gap.

However, the broker cannot add coverage without the client's consent (Option B), as that would violate the principle of express consent and could be seen as "negative billing." The correct professional response is Option C: immediately contact the client to assess their needs, provide a quote, and allow them to make an informed decision. This proactive approach is a hallmark of Relationship Management and ensures that the client's "Information Management" is up to date. The RIBO Level 1 Blueprint emphasizes that a broker is not just a "order taker" at renewal, but a continuous advisor who must act as soon as new information becomes available to mitigate the client's risk.

#### **NEW QUESTION # 18**

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