

IIC - RIBO-Level-1 - RIBO Level 1 Entry-Level Broker Exam Newest Latest Practice Materials

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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will help you understand the content easier. Our experts check the updating of RIBO-Level-1 free demo to ensure the accuracy of our dumps and create the pass guide based on the latest information.

IIC RIBO Level 1 Entry-Level Broker Exam Sample Questions (Q53-Q58):

NEW QUESTION # 53

Your insured's young son has just purchased an automobile and wants you to insure it in his father's name and show himself as an occasional driver. Which of the following steps should you take?

- A. Issue the policy as requested.
- B. Advise the son to register the vehicle in his mother's name and rate it on her driving record.
- C. Place the policy with another insurer and rate the father as the principal driver.
- D. **Decline to issue the policy as the son is obviously the principal driver and registered owner.**

Answer: D

Explanation:

This scenario addresses the unethical practice known as "fronting," which is a form of Misrepresentation and a violation of the RIBO Code of Conduct (Ontario Regulation 991). Under the Professionalism, Integrity, and Ethics competency, a broker's primary duty is to be "candid and honest" with insurers.

Insurance is based on the principle of Insurable Interest. The person who owns the vehicle and is its primary operator must be the one listed as the "Named Insured" on the OAP 1 Owner's Policy. By attempting to put the policy in the father's name to obtain a lower premium (Option A or C), the client is intentionally withholding material facts from the insurer. If the broker participates in this, they are committing professional misconduct and could face disciplinary action from RIBO, including the revocation of their license. The RIBO Level 1 Blueprint stresses that a broker must act as a gatekeeper for the insurance system. Option B is the only ethical and professional response. The broker must explain to the client that the policy must reflect the reality of the risk: the son is the registered owner and principal driver. Failure to do so would allow the insurer to void the policy ab initio (from the beginning) in the event of a claim, leaving the family with no coverage for a potentially million-dollar liability.

By refusing to facilitate "fronting," the broker protects the client from future claim denials and upholds the Integrity and Ethics of the profession. This highlights the Consulting and Advising role where the broker must educate the client on the legal requirements of the Insurance Act and the severe consequences of providing false information on an automobile application.

NEW QUESTION # 54

Misrepresentation discovered by an insurer may result in the policy being voided. What circumstance must the insurer show occurred to legally void the policy?

- A. The misrepresentation was malicious.
- B. The misrepresentation was the result of extreme carelessness by the insured's broker.
- C. **The misrepresented fact was material to the risk.**
- D. The misrepresented fact was the product of collusion between the insured and the broker.

Answer: C

Explanation:

The concept of Materiality is central to the Legal and Regulatory Compliance domain in the RIBO Level 1 Blueprint. Under Statutory Condition 1 (Misrepresentation) of the Fire policy and similar provisions in the OAP 1, an insurer has the right to void a contract only if the facts withheld or misrepresented were "material to the risk." A "material fact" is defined as information that would influence a reasonable underwriter in deciding whether to accept the risk or what premium to charge. If an insured provides incorrect information that does not actually affect the underwriter's assessment (e.g., misspelling a middle name), it is not a ground for voiding the policy. However, if they fail to disclose that a property is being used for commercial purposes instead of residential, that is a material fact. The insurer does not need to prove that the misrepresentation was

"malicious" or "intentional" (except in specific fraud cases); they simply need to prove that the information was incorrect and material. The RIBO Competency Profile requires entry-level brokers to identify and assess these facts during the application process to prevent future claim denials. Understanding this principle protects the broker from Errors and Omissions (E&O) claims because it emphasizes the broker's duty to ask probing questions. In the eyes of the law, the insurance contract is one of Utmost Good Faith (Uberrimae Fidei), and the "materiality" test is the objective standard used to determine if that faith has been breached.

NEW QUESTION # 55

In which situation is it relevant for a property underwriter to request more information?

- A. When there is no mortgage on the home.
- B. When the insured has children.
- C. When there is a wood-burning stove in the home.
- D. When the insured is over 65 years old.

Answer: C

Explanation:

This question focuses on the concept of Material Facts and Physical Hazards within the Risk Identification and Assessment competency. An underwriter's goal is to accurately assess the likelihood and potential severity of a loss to determine if the risk is acceptable.

A wood-burning stove (Option B) is a classic physical hazard. It significantly increases the risk of a fire loss due to factors like creosote buildup, improper clearance to combustible walls, or faulty installation. It is

"material" because an underwriter will likely require a WETT (Wood Energy Technology Transfer) inspection to confirm the unit is safe before they are willing to bind the risk.

In contrast, factors like having children (A), being over 65 (C), or having no mortgage (D) are generally not considered hazards that increase the physical risk of the dwelling burning down. In some cases, age (C) might even be a favourable factor (a "mature citizen" discount), and having no mortgage (D) might indicate financial stability, but neither requires the same level of technical "investigative" underwriting as a high-heat source.

The RIBO Level 1 Blueprint requires brokers to identify these "red flag" items during the initial application process. By proactively asking for WETT certificates or stove details, the broker demonstrates Professionalism and ensures that the underwriter has all the information needed to classify the risk correctly.

This transparency protects the client from having their policy voided for Misrepresentation and ensures the broker is providing a high standard of Consulting and Advising.

NEW QUESTION # 56

Additional Living Expense under a Homeowners Comprehensive policy is payable when the premises become unfit for occupancy in what circumstance?

- A. The insured must live elsewhere while the home is sprayed for insects.
- B. The insured is having his home renovated.
- C. The insured's home has suffered damage by an insured peril.
- D. A room is damaged by rain entering a window left open during a heavy rainstorm.

Answer: C

Explanation:

Additional Living Expense (ALE), found under Coverage D of a Homeowners policy, is designed to indemnify the insured for the increase in living costs (such as hotel bills and restaurant meals) when their dwelling is rendered uninhabitable. However, the RIBO Level 1 Competency Profile stresses that this coverage is not "all-encompassing"; it is strictly triggered by a loss caused by an insured peril.

* Option A (Insects): Most property policies exclude damage caused by "vermin" or "insects" (except in very specific circumstances like building glass). Since the underlying cause is an excluded peril, ALE would not be triggered.

* Option B (Open Window): Damage caused by "seepage or leakage" or rain entering through an open window is typically excluded under the "Water" exclusions or considered a lack of maintenance/due diligence.

* Option D (Renovations): Intentional renovations are a lifestyle choice, not a sudden and accidental loss.

ALE does not apply to voluntary displacement.

Option C is the correct answer because it correctly identifies the contractual trigger: the damage must result from a peril that is actually covered by the policy (e.g., fire, windstorm, or a burst pipe). The broker's role in Consulting and Advising is to ensure the client understands that ALE only pays for the "additional" costs - the amount over and above the insured's normal expenses - and only for the "reasonable time" required to repair the damage. The RIBO Blueprint highlights that brokers must be able to distinguish between a "covered loss" and "excluded maintenance" to properly manage Claims Services and ensure the client's expectations align with the policy wording.

NEW QUESTION # 57

A Broker receives a large cash premium from a client for a new policy. The Broker is in a hurry to meet a friend for lunch and decides to put the cash into their personal bank account, intending to transfer the exact amount to the brokerage's trust account later

that afternoon. What is this action considered under RIBO regulations?

- A. **Commingling of funds, which is an act of professional misconduct.**
- B. A standard business practice for brokers working outside of the office.
- C. A minor administrative error that only requires a verbal warning from the Principal Broker.
- D. An acceptable temporary measure as long as the funds are transferred the same day.

Answer: A

Explanation:

This scenario focuses on the strictly regulated handling of client money. Under the Registered Insurance Brokers Act (RIB Act) and Ontario Regulation 991, all premiums received by a broker are deemed to be "trust money." The Professionalism, Integrity, and Ethics competency requires brokers to act as fiduciaries, maintaining a clear and absolute separation between personal or business operating funds and the money belonging to the insurer/client.

Depositing client premiums into a personal account—even for a few hours—is defined as commingling (Option B). Commingling is one of the most serious forms of professional misconduct and a direct violation of the RIBO Code of Conduct. The RIBO Level 1 Blueprint emphasizes that the integrity of the "Trust Account" is paramount for public protection; it ensures that even if a broker faces personal financial difficulty, the client's insurance premiums remain safe and available to be remitted to the insurer.

A Level 1 broker must demonstrate an understanding that there is no "grace period" for the proper handling of trust funds. Intent does not excuse the action; the mere act of mixing trust money with personal funds is a reportable offense that can lead to the immediate suspension of a license. This underscores the Legal and Regulatory Compliance duty to follow strict financial protocols. As an entry-level professional, the broker must understand that their primary allegiance is to the law and the consumer's financial security. This technical knowledge prevents Errors and Omissions (E&O) and upholds the reputation of the brokerage industry as a trusted intermediary in the financial sector.

NEW QUESTION # 58

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