Insurance Institute RIBO-Level-1 Practice Questions

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Question 1

Question Type: MultipleChoice

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?

Options:

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

Answer:

C

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.

Question 2

Question Type: MultipleChoice

Which item is NOT covered under the Standard Equipment breakdown coverage?

Options:

A- Boilers.
B- Hot water tanks.
C- Compressors.
D- Office water coolers.

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Answer:

D

Explanation:

Equipment Breakdown Insurance (EBI), historically known as Boiler and Machinery insurance, is a specialized form of property coverage designed to protect against the 'sudden and accidental' failure of pressure, mechanical, and electrical equipment. The RIBO Level 1 Blueprint requires brokers to distinguish between industrial/commercial 'covered equipment' and standard 'office or domestic appliances.'

Covered equipment typically includes Boilers (A), Hot water tanks (B), and Compressors (C) because these items operate under pressure or utilize significant mechanical/electrical energy that, upon failure, can cause extensive damage to the surrounding property (e.g., a boiler explosion). These are critical systems that are often excluded from standard 'All-Risks' property policies and require this specific form to provide indemnity.

Office water coolers (D), however, are generally considered small 'plug-in' appliances or domestic-style equipment. Most EBI forms specifically exclude small appliances, furniture, and office equipment that do not form a part of the building's primary mechanical or electrical infrastructure. While a water cooler might be covered for 'fire' or 'theft' under the main Commercial Property section, its internal mechanical breakdown is not the intended subject of an Equipment Breakdown policy.

Under the Consulting and Advising competency, a broker must help a business owner identify which critical systems require EBI. For a large office building, the loss of a HVAC compressor (C) is a major business interruption risk, whereas the failure of a water cooler is a minor maintenance issue. This technical knowledge ensures the broker correctly classifies the risk and recommends the appropriate sub-limits, fulfilling the Risk Identification and Assessment requirements of the competency profile.

Question 3

Question Type: MultipleChoice

The Regulations under the Registered Insurance Brokers (RIB. Act require an insurance broker to provide evidence that insurance has been placed on behalf of a client. How must this be done and within what time period?

Options:

A- By providing a policy of insurance to the member of the public for whom they act within 30 days after placing the insurance.
B- By providing the member of the public for whom they act with a receipt for the premium or portion thereof which has been paid and which indicates the date the policy is effective.
C- By providing a policy of insurance to the member of the public for whom they act within 5 days of receiving it from the insurer.
D- By providing a policy or certificate of coverage to the member of the public for whom they act within 21 days after the placing of the insurance.

Answer:

D

Explanation:

The correct answer is D. Ontario Regulation 991 under the Registered Insurance Brokers Act requires that when a broker acts for a member of the public in negotiating or placing insurance, the broker must provide a policy or certificate of coverage as evidence that the insurance has been placed. The regulation further sets the timing requirement at within 21 days after the placing of the insurance. This exact rule appears in the Ontario e-Laws result for Regulation 991, which states that every member acting on behalf of a member of the public in negotiating or placing contracts of insurance shall provide a policy or certificate of coverage within 21 days.

That makes A incorrect because the time period is not 30 days. B is also incorrect because a receipt for premium is not the prescribed evidence required by the regulation. C is wrong because the rule is not tied to ''within 5 days of receiving it from the insurer''; it is tied to 21 days from placement.

From a RIBO compliance perspective, this requirement protects consumers by ensuring they receive formal proof of coverage promptly and can verify the essential existence of insurance coverage without unnecessary delay. It also reflects the broker's duty to handle client transactions accurately, transparently, and in accordance with statutory requirements.

Question 4

Question Type: MultipleChoice

Which of the following is NOT a valid reason for using a ''Telephone Hot-line'' to report claims?

Options:

A- To direct customers to appropriate medical facilities.
B- To determine urgency of the insured's condition.
C- To control costs.
D- To report the incident to the Financial Services Regulatory Authority of Ontario (FSRA..

Answer:

D

Explanation:

The correct answer is D. A claims telephone hot-line is a claims-handling and emergency-assistance tool. Its purpose is to help the insurer or assistance provider respond quickly to a loss by triaging the situation, assessing how urgent the insured's condition is, and directing the insured to appropriate medical care or other immediate assistance. In accident and emergency situations, quick reporting helps the insurer coordinate next steps and manage the claim efficiently. Ontario consumer guidance also tells insureds to call their insurance company after an accident to report what happened and obtain next steps.

By contrast, FSRA is the regulator, not the first point of contact for reporting an insurance claim incident. FSRA's role is supervisory and complaint-related. Its own complaint page explains that consumers generally must first go through the insurer's or licensee's complaint process, rather than report the incident itself to FSRA as part of ordinary claims handling.

That makes A, B, and C valid operational reasons for a claims hotline, while D is not. From a RIBO perspective, the broker should guide the insured to the insurer or claims assistance number for immediate claim reporting, and reserve FSRA for regulatory complaints or unresolved conduct issues.

Question 5

Question Type: MultipleChoice

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?

Options:

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

Answer:

B

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.

Question 6

Question Type: MultipleChoice

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

Options:

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

Answer:

B

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.

Question 7

Question Type: MultipleChoice

Nearly every insurance policy has Policy Conditions which are common to all policies issued in a

particular class. Some policies also contain Statutory Conditions. Which option best class of insurance policies contain Statutory Conditions?

Options:

A- Fire insurance policy.
B- Liability insurance policy.
C- Burglary insurance policy.
. Marine insurance policy.

Answer:

A

Explanation:

The Legal and Regulatory Compliance competency requires a deep understanding of the Insurance Act of Ontario, which mandates the inclusion of Statutory Conditions in specific types of policies. These conditions are legally required and cannot be altered or removed by the insurer or the broker, as they serve to protect the rights of both the insured and the insurer.

Statutory Conditions apply to three main classes of insurance in Ontario: Fire, Automobile, and Accident and Sickness. While liability, burglary, and marine policies contain 'Policy Conditions' (which are contractual), they are not governed by the legislated 'Statutory Conditions' found in the Insurance Act. For a Fire policy, these conditions cover critical areas such as misrepresentation, property of others, change of interest, material change, termination, requirements after loss, and appraisal. The RIBO Level 1 Blueprint emphasizes that brokers must distinguish between these mandated conditions and standard policy wordings. Knowledge of these conditions is essential when a broker is Consulting and Advising a client on their obligations---for example, the requirement to provide a 'Proof of Loss' within a specific timeframe or the rules surrounding the termination of a policy. Understanding that Fire policies are the foundation of habitational insurance (homeowners, tenants, condo) and that they carry these rigid legal protections is a core requirement for any entry-level broker seeking to ensure that their clients' contracts are compliant with provincial law.

Question 8

Question Type: MultipleChoice

When is a Vacancy Permit required in order to continue fire insurance on a property?

Options:

A- When the occupant has left on a six-month vacation and no one has moved in to take care of the property.
B- When the occupants have moved out and do not intend to return.
C- When the insured has moved out with one half of the contents and left his wife with only half of the house furnished.
D- When the occupant has been transferred to another location and resides in the premises only on weekends.

Answer:

B

Explanation:

The correct answer is B because a Vacancy Permit is generally required when a property becomes vacant, meaning the occupants have moved out and there is no present intention of normal occupancy continuing. In insurance, there is an important distinction between vacant and unoccupied. A vacant building is typically one that is empty of people and, in a practical sense, no longer being lived in as a residence. This creates a much greater hazard for insurers because losses such as fire, vandalism, water damage, or malicious acts may go undetected for longer and may become more severe.

A is not the best answer because a person away on vacation may leave the dwelling unoccupied, but that does not automatically make it vacant. C is incorrect because the home is still being occupied by the spouse, so the property is not vacant. D is also not vacancy, because weekend use means the premises still continues to be occupied on a recurring basis.

From a RIBO perspective, this question tests a broker's understanding of a key underwriting distinction in property insurance. When a dwelling becomes truly vacant, the broker must notify the insurer and arrange appropriate permission or endorsement, otherwise coverage for fire and other perils may be restricted or voided.

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