

Registered Insurance Brokers of Ontario (RIBO) Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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SAMPLE

Questions

- 1. What type of insurance policy typically protects against business interruption?**
 - A. General liability insurance**
 - B. Property insurance**
 - C. Business interruption insurance**
 - D. Health insurance**
- 2. Which vehicle is covered under the Liability section of the Homeowners Comprehensive policy?**
 - A. A car with expired registration**
 - B. A motorized wheelchair**
 - C. A motorcycle**
 - D. A trailer not attached to a vehicle**
- 3. What is the primary purpose of a vacancy permit in insurance?**
 - A. To increase coverage limits**
 - B. To maintain insurance during vacancy**
 - C. To reduce premium costs**
 - D. To avoid payment delays**
- 4. In how many situations can special damages not be recovered?**
 - A. All situations without proof**
 - B. In cases of intentional damages**
 - C. When full reimbursement isn't requested**
 - D. Only when the insured is at fault**
- 5. Which of the following would typically NOT be considered a peril under a Tenant's Comprehensive Policy?**
 - A. Fire**
 - B. Theft**
 - C. Water damage**
 - D. Earthquake**

- 6. The Facility Association is best described as?**
- A. An independent insurance company**
 - B. A governmental body regulating insurance markets**
 - C. A pooling arrangement of automobile insurers**
 - D. A private entity selling insurance directly**
- 7. What type of coverage can be added to a property policy for an additional premium?**
- A. Flood damage coverage**
 - B. Theft protection coverage**
 - C. Earthquake damage coverage**
 - D. Liability coverage**
- 8. All of the following are exclusions under Homeowners Liability coverage except:**
- A. The ownership, use or operation of any motorized vehicle, trailer, or watercraft.**
 - B. Claims for damage resulting from natural disasters.**
 - C. Intentional acts causing property damage.**
 - D. Property damage while using a rented vehicle.**
- 9. In what situation would a profit commission be based primarily on?**
- A. The type of coverage purchased**
 - B. The claims made by the insured**
 - C. The level of business produced**
 - D. The market rates for premiums**
- 10. If severe rain damages a rug after leaving a window open, what does the policy state?**
- A. Coverage exists for weather-related damage**
 - B. No coverage exists**
 - C. The damage is partially covered**
 - D. The insurer will replace the rug**

Answers

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1. C
2. B
3. B
4. A
5. D
6. C
7. C
8. B
9. C
10. B

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Explanations

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1. What type of insurance policy typically protects against business interruption?

- A. General liability insurance**
- B. Property insurance**
- C. Business interruption insurance**
- D. Health insurance**

The correct answer is business interruption insurance, as this type of policy is specifically designed to provide coverage for a business's lost income and other expenses when it is unable to operate due to a covered event, such as a fire or natural disaster. This insurance is crucial for businesses, as it helps them maintain cash flow and meet financial obligations while they recover from an incident that disrupts normal operations. Other types of insurance mentioned, such as general liability insurance and property insurance, serve different purposes. General liability insurance protects against legal liabilities arising from injuries or damages to third parties, while property insurance covers physical assets and structures but does not address the loss of income during an interruption. Health insurance, on the other hand, is focused on covering medical expenses for individuals and does not pertain to business operations. Thus, business interruption insurance is essential for businesses looking to mitigate the risks associated with operational disruptions.

2. Which vehicle is covered under the Liability section of the Homeowners Comprehensive policy?

- A. A car with expired registration**
- B. A motorized wheelchair**
- C. A motorcycle**
- D. A trailer not attached to a vehicle**

The Liability section of a Homeowners Comprehensive policy generally provides coverage for certain liabilities associated with property owned by the policyholder or incidents occurring at their residence. A motorized wheelchair qualifies as personal property that is often used within the home environment and could lead to liability for bodily injury or property damage if not operated safely. In contrast, vehicles like cars, motorcycles, and trailers are typically covered under separate auto insurance policies. An expired registration does not impact the liability coverage within a homeowners policy, but vehicles that are conventionally registered for road use — such as cars and motorcycles — are usually excluded from homeowners insurance liability coverage. Therefore, the correct answer reflects the nature of liability coverage focusing on everyday personal property, which is why the motorized wheelchair is the appropriate choice.

3. What is the primary purpose of a vacancy permit in insurance?

- A. To increase coverage limits**
- B. To maintain insurance during vacancy**
- C. To reduce premium costs**
- D. To avoid payment delays**

The primary purpose of a vacancy permit in insurance is indeed to maintain insurance coverage during a period when a property is unoccupied. Properties that are vacant typically face higher risks, such as vandalism, theft, or undetected damage, which can make them unsuitable for standard property insurance coverage. A vacancy permit extends the insurance policy to ensure that the coverage remains in effect despite the vacancy, which protects the property owner from potential losses. This concept is crucial because once a property is deemed vacant, standard coverage may be reduced or entirely voided by the insurer. The vacancy permit serves as a safeguard, ensuring that the policy remains enforceable while the property is not being used, thus providing peace of mind to the property owner. While increasing coverage limits, reducing premium costs, and avoiding payment delays are important considerations in the broader context of insurance, they do not capture the specific and primary function of a vacancy permit.

4. In how many situations can special damages not be recovered?

- A. All situations without proof**
- B. In cases of intentional damages**
- C. When full reimbursement isn't requested**
- D. Only when the insured is at fault**

The most accurate answer to the question is that special damages cannot be recovered in all situations without proof. Special damages refer to quantifiable monetary losses that an injured party incurs due to another party's actions, such as medical expenses or lost wages. To recover special damages, the claimant must provide concrete evidence of these losses. This insistence on proof ensures that claims are substantiated and prevents frivolous or exaggerated claims from being awarded. If a claimant cannot provide adequate documentation or evidence of the claimed expenses, recovery for those damages is typically denied. In various circumstances, such as cases of intentional damages, full reimbursement not being requested, or the insured being at fault, there might still be avenues to recover damages, or the focus may shift to other types of damages (like general damages) that don't require as stringent proof standards. However, without proof, special damages are fundamentally unobtainable in any scenario.

5. Which of the following would typically NOT be considered a peril under a Tenant's Comprehensive Policy?

- A. Fire**
- B. Theft**
- C. Water damage**
- D. Earthquake**

A Tenant's Comprehensive Policy typically covers risks that could directly affect a tenant's personal property within a rented space. Common perils included in such policies are fire, theft, and water damage, as these are frequent risks that tenants face. Earthquake, however, is generally regarded as a separate, specific peril that is not included in standard Tenant's Comprehensive Policies. This type of coverage often needs to be added through an endorsement or purchased as a separate policy, making it less common for standard renters' coverage. This distinction reflects the broader approach of insurance policies where catastrophic events tend to have specific coverage options due to their potential for high loss and limited frequency in occurrence. Thus, for those seeking comprehensive protection, understanding the precise coverage of their tenant policy in relation to supplementary options is crucial.

6. The Facility Association is best described as?

- A. An independent insurance company**
- B. A governmental body regulating insurance markets**
- C. A pooling arrangement of automobile insurers**
- D. A private entity selling insurance directly**

The Facility Association is accurately described as a pooling arrangement of automobile insurers. This organization exists to provide insurance coverage to individuals who may have difficulty obtaining it through traditional means, such as those deemed high-risk drivers. By pooling resources from multiple insurers, the Facility Association can spread the risk among its members, ensuring that coverage remains accessible and affordable for those who are otherwise underinsured. The other descriptions do not align with the nature of the Facility Association. It is not an independent insurance company, as it does not operate as a single entity selling policies; instead, it acts as a collective for automobile insurers. Additionally, it is not a governmental body regulating insurance markets, nor does it function as a private entity selling insurance directly to consumers. The primary purpose of the Facility Association is to provide a safety net in the automotive insurance market for applicants who might be considered uninsurable by standard lines of insurance.

7. What type of coverage can be added to a property policy for an additional premium?

- A. Flood damage coverage**
- B. Theft protection coverage**
- C. Earthquake damage coverage**
- D. Liability coverage**

The correct answer, earthquake damage coverage, can be added to a property policy as an additional premium. Property insurance typically covers standard risks such as fire and theft. However, certain risks like earthquakes are often considered higher-risk events and are not included in standard property coverage. As a result, policyholders have the option to add earthquake coverage, which requires an additional premium, tailored to the specific risks associated with earthquakes based on location and building type. Flood damage and theft protection coverage may also be available as endorsements or riders, but they are often subject to different regional regulations and considerations. Liability coverage, while crucial for overall protection, generally stands alone as a separate type of insurance that covers legal responsibilities for injury or damage to third parties and is not typically added directly to property policies in the form of an endorsement.

8. All of the following are exclusions under Homeowners Liability coverage except:

- A. The ownership, use or operation of any motorized vehicle, trailer, or watercraft.**
- B. Claims for damage resulting from natural disasters.**
- C. Intentional acts causing property damage.**
- D. Property damage while using a rented vehicle.**

Homeowners Liability coverage typically includes specific exclusions that clarify when the policy does not provide protection to the insured. Among the listed options, claims for damage resulting from natural disasters are generally not excluded under Homeowners Liability coverage. Homeowners policies often cover certain types of liabilities arising from natural events like fires, storms, or other disasters, which can affect the insured's property or the property of others. While natural disasters can cause significant damage, the liability section of homeowners insurance is designed to address situations where the insured may be held responsible for injuries or damages to third parties, which may occur as a result of those natural events. In contrast, the other options represent common exclusions in homeowners liability coverage. The ownership, use, or operation of motorized vehicles, trailers, or watercraft are generally excluded because these activities are typically covered under separate auto or marine insurance policies. Intentional acts causing property damage are excluded because insurance is not intended to cover losses arising from deliberate misconduct. Property damage while using a rented vehicle is also excluded since liability in that scenario would usually fall under a rental car insurance policy. Therefore, the correct answer highlights the fact that coverage for claims resulting from natural disasters remains intact, while other options reflect standard exclusions in homeowners liability policies.

9. In what situation would a profit commission be based primarily on?

- A. The type of coverage purchased**
- B. The claims made by the insured**
- C. The level of business produced**
- D. The market rates for premiums**

A profit commission is primarily tied to the overall level of business produced, as it reflects the profitability of the insurance policies in relation to the premiums collected. When an insurance broker generates a considerable volume of business, they may be eligible for an additional profit commission if the incurred claims are below expectations, and operational costs are effectively managed. This incentive encourages brokers to foster a healthy relationship between policy sales and prudent risk management. In contrast, the type of coverage purchased, claims made by the insured, or market rates for premiums may influence an insurer's overall performance but do not directly correlate with the profitability necessary for a profit commission. Each of these factors plays a role in the insurance ecosystem but does not primarily determine the profit commissions awarded to brokers.

10. If severe rain damages a rug after leaving a window open, what does the policy state?

- A. Coverage exists for weather-related damage**
- B. No coverage exists**
- C. The damage is partially covered**
- D. The insurer will replace the rug**

In the context of a standard insurance policy, leaving a window open during severe rain typically falls under the category of negligence or failure to take reasonable precautions to protect property. Most homeowners' insurance policies have clauses that address exclusions for damage resulting from negligence or lack of upkeep. As a result, the policy may clarify that any damage caused by circumstances the policyholder could have reasonably controlled, such as leaving a window open during a storm, does not warrant coverage. In contrast, options suggesting coverage—whether it be complete, partial, or replacement—would generally apply when damage is caused by an unforeseen event that the insured could not have prevented. Since the act of leaving a window open is generally considered an avoidable risk, the lack of coverage in this specific scenario aligns with typical policy language.