

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

Study Guide



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Questions

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- 1. 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.**
- 2. An unidentified automobile is one:**
 - A. For which neither the owner nor driver has liability insurance.**
 - B. Whose driver cannot be determined.**
 - C. Whose driver or owner cannot be determined.**
 - D. Whose VIN has been removed.**
- 3. What can an insured do if they believe their insurance coverage is insufficient for high-value items?**
 - A. Request a higher deductible**
 - B. Seek a reinsurance arrangement**
 - C. Inquire about a valued contract**
 - D. Purchase a policy endorsement**
- 4. 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**
- 5. Which of the following is included in the OAP#1 policy's Loss of Use coverage?**
 - A. Compensation for repairs**
 - B. Direct compensation, uninsured automobile, loss or damage**
 - C. Equipment rental expenses**
 - D. Covering medical expenses**

- 6. What does it mean if a policy is described as "named perils"?**
- A. Coverage for all types of risks**
 - B. Coverage only for specific risks listed**
 - C. No coverage for contents**
 - D. Only liability coverage provided**
- 7. In which situation is coverage available for a temporary substitute automobile?**
- A. A friend lends his automobile to the insured.**
 - B. The insured rents an automobile while his vehicle is being repaired.**
 - C. While on vacation in Florida.**
 - D. Borrowing the company van for moving.**
- 8. Which of the following is considered optional in a residential policy?**
- A. Liability coverage**
 - B. Property damage coverage**
 - C. Contents coverage**
 - D. Section 3 of the policy**
- 9. What does it mean for an insurance broker to be "restricted to act under supervision"?**
- A. They can operate independently**
 - B. They may not control trust funds**
 - C. They can act as a designated individual**
 - D. They are permitted to sell all types of insurance**
- 10. Highway Victims Indemnity Funds:**
- A. Exist all across Canada and the United States Of America.**
 - B. Will not pay a claimant who is at fault for their injuries.**
 - C. Pay claims of all policyholders for general damages.**
 - D. Limit payments for bodily injuries to the minimum limit in the insured's home province.**

Answers

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

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Explanations

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1. 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.

2. An unidentified automobile is one:

- A. For which neither the owner nor driver has liability insurance.**
- B. Whose driver cannot be determined.**
- C. Whose driver or owner cannot be determined.**
- D. Whose VIN has been removed.**

An unidentified automobile is one whose driver or owner cannot be determined. This means that there is no information available to identify who is responsible for the vehicle, and it could potentially be abandoned or stolen. Option A is incorrect because the question is not referring to insurance coverage. Option B is incorrect because even if the driver cannot be determined, the owner may still be known. Option D is incorrect because the Vehicle Identification Number (VIN) is used to identify a specific vehicle, not its driver or owner.

3. What can an insured do if they believe their insurance coverage is insufficient for high-value items?

- A. Request a higher deductible**
- B. Seek a reinsurance arrangement**
- C. Inquire about a valued contract**
- D. Purchase a policy endorsement**

Selecting to inquire about a valued contract is the appropriate action for an insured concerned about insufficient coverage for high-value items. A valued contract specifically guarantees the amount the insurer will pay in the event of a total loss of the insured item. This means that the insured can ensure that their high-value possessions are covered for their full value, rather than being subject to depreciation or market value at the time of loss, which might not reflect their true worth. In contrast, while increasing a deductible could potentially lower premium costs, it does not enhance the coverage available for high-value items and may not provide adequate compensation in the event of a significant loss. Seeking a reinsurance arrangement is typically a consideration for insurers rather than individual insureds; it's a mechanism used by insurance companies to manage risk and is not applicable to personal policyholders. Purchasing a policy endorsement may modify certain terms or add specific coverage, but it may not directly address the fundamental concern of insuring high-value items to their full worth, especially if a valued contract option is available. Thus, inquiring about a valued contract most directly aligns with the need to ensure that high-value possessions are sufficiently and appropriately covered.

4. 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.

5. Which of the following is included in the OAP#1 policy's Loss of Use coverage?

- A. Compensation for repairs**
- B. Direct compensation, uninsured automobile, loss or damage**
- C. Equipment rental expenses**
- D. Covering medical expenses**

The OAP#1 policy's Loss of Use coverage is designed to assist policyholders when their vehicle is temporarily unavailable due to a covered loss. This coverage is particularly relevant in providing direct compensation for losses that arise from situations involving uninsured automobiles, ensuring that policyholders are not financially burdened due to the negligence or issues associated with uninsured drivers. This option underscores the essence of Loss of Use coverage, which primarily focuses on compensating the insured for their inability to utilize their vehicle when facing a loss, such as damage from an accident involving an uninsured vehicle. While compensation for repairs is certainly a component of auto insurance, it does not directly relate to the concept of "loss of use," which refers to the effects of being without a vehicle rather than the costs of repair itself. Equipment rental expenses may also be relevant if the insured is looking to rent a vehicle while theirs is out of commission, but it does not encompass the broader implications of Loss of Use coverage defined in the policy. Covering medical expenses is entirely separate and typically falls within the domain of a health policy or part of different types of auto coverage, rather than Loss of Use, which is focused on the vehicle's availability for use.

6. What does it mean if a policy is described as "named perils"?

- A. Coverage for all types of risks**
- B. Coverage only for specific risks listed**
- C. No coverage for contents**
- D. Only liability coverage provided**

A policy described as "named perils" indicates that it provides coverage only for specific risks that are explicitly listed within the policy documents. This means that if a peril (or risk) is not named in the policy, it is not covered at all. This type of policy is typically more limited in scope compared to an "all risks" policy, which would cover a wider range of potential hazards unless specifically excluded. The named perils approach helps policyholders understand exactly what risks are protected under their insurance plan, making it crucial for them to review these specifics when evaluating their coverage needs. The correct understanding revolves around the idea that named perils policies are designed to cover only the risks that are stated, ensuring clarity and specificity in what is insured.

7. In which situation is coverage available for a temporary substitute automobile?
- A. A friend lends his automobile to the insured.
 - B. The insured rents an automobile while his vehicle is being repaired.**
 - C. While on vacation in Florida.
 - D. Borrowing the company van for moving.

Coverage for a temporary substitute automobile is typically provided when the insured rents a vehicle while their own automobile is unavailable due to repair. This aligns with standard automobile insurance policies, which often include provisions that extend coverage to rental cars when the insured's regular vehicle is inoperable. When the insured rents a vehicle for a temporary period due to their own car being repaired, the policy often considers this rental car as a "temporary substitute" and extends coverage to it. This situation is straightforward, as the insured is using the rental solely as a substitute for their regular vehicle during its downtime. Situations like borrowing a friend's automobile, being on vacation, or using a company van generally do not fall under the same coverage provisions. Borrowing a friend's car may not typically be covered unless specified by the policy. Vacation scenarios usually do not apply because the context often lacks a direct relationship to the insured's regular vehicle being unavailable. Using a company van may also fall outside personal automobile insurance coverage, as it relates to business use rather than personal use.

8. Which of the following is considered optional in a residential policy?
- A. Liability coverage
 - B. Property damage coverage
 - C. Contents coverage
 - D. Section 3 of the policy**

The correct choice here is that Section 3 of the policy is considered optional in a residential policy. In many residential insurance policies, Section 3 pertains to specific endorsements, additional coverages, or optional riders that may not be included as standard provisions within the main policy. These may cover scenarios or assets that the policyholder can choose to add based on their individual needs or preferences. Liability coverage, property damage coverage, and contents coverage typically form the fundamental aspects of a residential policy. Liability coverage protects homeowners against claims resulting from injuries or damages to other people or their property, while property damage coverage is crucial for safeguarding the structure itself. Contents coverage protects personal belongings within the home, which is essential for most policyholders. Thus, while the other options represent critical components of residential insurance coverage, Section 3 often includes additional options that can be customized based on individual needs, making it optional rather than mandatory.

9. What does it mean for an insurance broker to be "restricted to act under supervision"?

- A. They can operate independently**
- B. They may not control trust funds**
- C. They can act as a designated individual**
- D. They are permitted to sell all types of insurance**

The phrase "restricted to act under supervision" for an insurance broker signifies limitations on their authority and responsibilities within the insurance practice. Being in this situation means that they cannot control trust funds, which are typically handled by more experienced or fully licensed brokers. This restriction is essential to ensure that customer funds are managed securely and appropriately by individuals with broader experience and oversight. Therefore, it emphasizes the liability protection and regulatory compliance that safeguard both the clients and the integrity of the insurance brokerage. The ability to operate independently is not applicable in this context, as those under supervision generally do not have full autonomy. Regarding the role of a designated individual, such an individual typically holds a recognized position of authority, which isn't the case for someone acting under supervision. Lastly, brokers with supervision may not have the qualifications to sell all types of insurance, limiting their scope of practice according to their training and experience.

10. Highway Victims Indemnity Funds:

- A. Exist all across Canada and the United States Of America.**
- B. Will not pay a claimant who is at fault for their injuries.**
- C. Pay claims of all policyholders for general damages.**
- D. Limit payments for bodily injuries to the minimum limit in the insured's home province.**

Highway Victims Indemnity Funds are established to provide financial assistance to victims of motor vehicle accidents. They are typically funded by premiums paid by drivers and may only cover certain types of damages. Option A is incorrect because these funds may only exist in specific regions and may not cover accidents that occur in other areas. Option C is incorrect because they typically only cover specific types of damages, such as medical expenses or lost wages. Option D is incorrect because the funds may not be limited to the minimum limit in the insured's home province, as this can vary depending on the jurisdiction. Option B is the correct answer because the claimant must not be at fault for their injuries in order to be eligible for compensation from the fund. This is to prevent individuals from purposely causing accidents in order to receive financial assistance.