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

Study Guide

BY EXAMZIFY

Everything you need from our exam experts!

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Questions

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1. **True or False: A person can sell or assign insurance coverage when selling a business if certain conditions are met.**
   - A. True
   - B. False
   - C. Only if there is an exclusive clause
   - D. This is always illegal

2. **Negligence is defined as which of the following?**
   - A. The failure to meet industry standards
   - B. The breach of a contract
   - C. The failure to exercise reasonable care
   - D. The act of fraud

3. **Which of the following injuries would be considered not to have met the threshold?**
   - A. The loss of a hand in an automobile accident.
   - B. A severe concussion
   - C. Permanent damage to the insured's eyesight
   - D. Total deafness in one ear

4. **What does Actual Cash Value mean in the context of insurance?**
   - A. Replacement cost plus depreciation
   - B. Replacement cost minus depreciation
   - C. Market value of the property
   - D. Sum total of insured assets

5. **If a claim occurs due to a loss under an insurance binder before a policy is issued, what will the insurer do?**
   - A. Refuse to pay the claim
   - B. Pay the claim according to the coverage bound
   - C. Provide a reduced claim amount
   - D. Reissue the policy immediately

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6. **Which type of insurance policy typically contains “Policy Provisions” only?**
   - **A. Homeowners Policy**
   - **B. Commercial General Liability Policy**
   - **C. Auto Insurance Policy**
   - **D. Travel Insurance Policy**

7. **If a Homeowners Comprehensive policy does not include a special endorsement, what does it cover regarding a destroyed house that must be rebuilt with more expensive materials?**
   - **A. The cost to rebuild with premium materials**
   - **B. The cost to rebuild in the same manner and with the same general materials**
   - **C. Only the original value of the house**
   - **D. No coverage will be provided**

8. **What type of covered loss might apply to the insured's personal property stored off-premises?**
   - **A. Only fire-related losses**
   - **B. All perils excluding natural disasters**
   - **C. Standard perils as outlined in the policy**
   - **D. No coverage applies**

9. **Under Section 7, Physical Damage to Own Automobile Coverage, the insurer agrees to indemnify:**
   - **A. Any occupant of the vehicle.**
   - **B. Anyone driving with consent.**
   - **C. The name insured.**
   - **D. Any of the above.**

10. **All accidents and claims within what time period immediately proceeding the application must be disclosed?**
    - **A. Three (3) years.**
    - **B. Four (4) years.**
    - **C. Five (5) years.**
    - **D. Six (6) years.**

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Answers

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

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Explanations

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1. **True or False: A person can sell or assign insurance coverage when selling a business if certain conditions are met.**

   A. True

   B. False

   C. Only if there is an exclusive clause

   D. This is always illegal

The assertion that a person can sell or assign insurance coverage when selling a business, given that certain conditions are met, is indeed true. This scenario often arises when the ownership of a business is transferred, which may include the rights to its assets, liabilities, and contracts, such as insurance policies. In many instances, insurance policies may allow for their transfer under specific circumstances, such as with the consent of the insurer or if the policy itself contains provisions regarding assignment. The new business owner may need to ensure that the terms of the existing insurance coverage are suitable for their operations and may even negotiate with the insurer for any changes needed following the transfer. Thus, it is essential to understand that transferring insurance coverage is possible, provided the necessary conditions and policies allow for such action, making the statement true.

2. **Negligence is defined as which of the following?**

   A. The failure to meet industry standards

   B. The breach of a contract

   C. The failure to exercise reasonable care

   D. The act of fraud

Negligence is accurately defined as the failure to exercise reasonable care. This concept revolves around the idea that individuals and organizations have a duty to act with a certain level of care to avoid causing harm to others. When someone does not meet this standard of care, which can be dictated by societal norms, regulations, or industry practices, they may be deemed negligent if their actions lead to harm. In the context of insurance, understanding negligence is crucial because it often plays a significant role in liability claims. If an insurance broker or service provider fails to act reasonably and this leads to a loss for a client, the broker could be held liable for negligence. The other options, while related to various legal and professional principles, do not capture the essence of negligence directly. The failure to meet industry standards could be a contributing factor to a case of negligence, but it is too narrow and does not encompass the broader definition. A breach of a contract pertains specifically to failing to fulfill contractual obligations, which is distinct from negligence. Lastly, the act of fraud involves intentional deceit, which is fundamentally different from negligence that involves a lack of reasonable care rather than intent to mislead.

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3. Which of the following injuries would be considered not to have met the threshold?

A. The loss of a hand in an automobile accident.

B. A severe concussion

C. Permanent damage to the insured's eyesight

D. Total deafness in one ear

A severe concussion would not meet the threshold because it is not considered a permanent injury or disability. Options A, C, and D all involve severe and permanent physical impairments, while option B is a temporary injury that typically resolves within a few weeks or months. The threshold is typically used in insurance claims to determine eligibility for compensation, and a temporary injury like a concussion would not qualify under most policies.

4. What does Actual Cash Value mean in the context of insurance?

A. Replacement cost plus depreciation

B. Replacement cost minus depreciation

C. Market value of the property

D. Sum total of insured assets

Actual Cash Value (ACV) is fundamentally defined as the replacement cost of an item minus depreciation. This means that when an insurance policy references ACV, it takes into account how much an item would cost to replace today, while also factoring in the decrease in value due to age, wear and tear, or obsolescence. By using this definition, when a claim is made, the insurer will provide compensation based on what the property would be worth in its current condition — considering both its replacement cost and the depreciation that has occurred since the item was new. The other choices reflect different concepts in insurance valuation. Replacement cost plus depreciation does not correctly represent the intention behind ACV; rather, it would result in an inflated value. The market value of the property could vary widely based on external factors and is not necessarily how insurers determine ACV. Lastly, the sum total of insured assets does not specifically address how individual items are valued concerning depreciation and replacement costs. Hence, the correct understanding consistently aligns with the definition of Actual Cash Value as the replacement cost minus depreciation.

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5. If a claim occurs due to a loss under an insurance binder before a policy is issued, what will the insurer do?

A. Refuse to pay the claim

B. Pay the claim according to the coverage bound

C. Provide a reduced claim amount

D. Reissue the policy immediately

The insurer will pay the claim according to the coverage bound because an insurance binder is a temporary contract that provides provisional coverage until the formal policy is issued. This binder creates an obligation for the insurer to cover claims that occur during its validity. It indicates the terms of coverage that were agreed upon, and if a loss occurs while the binder is in effect, the insurer is liable to honor that coverage and pay claims as if the policy were issued. This situation highlights the principle that the insurance binder acts as a commitment to provide coverage up until the formal policy documentation is finalized. Other options would not align with the expectations and legal implications associated with insurance binders. For instance, refusing to pay the claim or providing a reduced claim amount would disregard the intent and obligation created by the binder. Similarly, reissuing a policy immediately would be unnecessary if the coverage is already established through the binder.

6. Which type of insurance policy typically contains “Policy Provisions” only?

A. Homeowners Policy

B. Commercial General Liability Policy

C. Auto Insurance Policy

D. Travel Insurance Policy

The correct response is that a Commercial General Liability Policy typically contains “Policy Provisions” only, focusing on the terms, coverages, and limitations that apply to liability coverage in a business context. These provisions establish the framework under which the insurance operates, detailing the responsibilities of both the insurer and the insured regarding liability claims. In a Commercial General Liability Policy, the emphasis on "Policy Provisions" signifies that it is more structured in terms of specific coverage definitions related to business operations, third-party claims, and other liability concerns. The language is often tailored to meet the unique needs of various types of businesses and their specific liability risks. Regarding the other types of insurance policies listed, they generally include broader coverage descriptions, as well as additional sections concerning covered perils, exclusions, and conditions. For instance, a Homeowners Policy includes provisions related to property coverage, personal liability, and specific endorsements that apply to homeowner risks. Auto Insurance Policies often encompass not just liability coverage but also provisions for collision, comprehensive coverages, and personal injury protection, making them broader than just 'policy provisions.' Travel Insurance Policies also typically describe a range of coverages related to trip cancellations, medical emergencies, and travel-related risks, beyond just policy provisions.

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7. If a Homeowners Comprehensive policy does not include a special endorsement, what does it cover regarding a destroyed house that must be rebuilt with more expensive materials?

A. The cost to rebuild with premium materials

B. The cost to rebuild in the same manner and with the same general materials

C. Only the original value of the house

D. No coverage will be provided

In a Homeowners Comprehensive policy without a special endorsement, the coverage is primarily based on the principle of indemnity, which means it is designed to restore the homeowner to the same financial position they were in prior to the loss. Therefore, if a house is destroyed, the policy typically covers the cost to rebuild using the same general materials and in the same manner as the original construction. This ensures that the homeowner is not penalized for the destruction of their property and can rebuild a similar home without incurring additional costs that arise from more expensive materials or upgrades. Choosing other options would not accurately reflect how standard coverage operates under a Homeowners Comprehensive policy. Since the intent is to replace the lost property with a similar construction, the coverage does not extend to premium materials or additional enhancements unless explicitly stated in an endorsement. Therefore, it is essential to review the specifics of one's policy and any endorsements to understand the exact coverage.

8. What type of covered loss might apply to the insured's personal property stored off-premises?

A. Only fire-related losses

B. All perils excluding natural disasters

C. Standard perils as outlined in the policy

D. No coverage applies

The correct answer indicates that the insured's personal property stored off-premises may be covered for standard perils as outlined in the insurance policy. Typically, insurance policies provide coverage for certain perils such as theft, vandalism, or fire, even when items are stored in a location other than the main residence. This means that as long as the peril is specified within the policy, the coverage will apply to personal property, irrespective of its location. Standard perils offer a baseline of protection and are commonly recognized in the context of insurance policies. It's crucial for policyholders to review their specific policy for details on what constitutes these standard perils and any limitations related to off-premises coverage. Options that suggest limited coverage, such as only fire-related losses, or that coverage is completely excluded, do not accurately reflect the typical coverage for off-premises personal property. While some policies might have exclusions or special conditions for natural disasters, standard perils usually provide a more inclusive range of protections. Hence, recognizing standard perils as the basis for coverage offers a broader understanding of the types of risks that are protected, thus making it the correct choice.

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9. Under Section 7, Physical Damage to Own Automobile Coverage, the insurer agrees to indemnify:

A. Any occupant of the vehicle.

B. Anyone driving with consent.

C. The name insured.

D. Any of the above.

Section 7, Physical Damage to Own Automobile Coverage, specifically states that the insurer agrees to indemnify the name insured, meaning the person or entity listed as the main driver on the insurance policy. Option A is incorrect because it only applies to occupants of the vehicle, not the driver. Option B is incorrect because it also only applies to those driving with consent, not the main driver listed on the policy. Option D is incorrect because it encompasses both options A and B, but not the specific name insured outlined in Section 7.

10. All accidents and claims within what time period immediately proceeding the application must be disclosed?

A. Three (3) years.

B. Four (4) years.

C. Five (5) years.

D. Six (6) years.

The correct time period that an applicant must disclose accidents and claims is within the past six (6) years. Options A, B, and C are incorrect because they all exceed the correct time period. The application specifically requires disclosure of incidents within the past six (6) years because this is considered to be a sufficient amount of time for incidents to still be relevant to the applicant's current driving history. Any incidents that occurred more than six (6) years prior may not be as indicative of the applicant's current driving habits and therefore are not necessary for the insurer to be aware of for underwriting purposes. Thus, the correct answer is option D.

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