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**Exam** : **RIBO-Level-1**

**Title** : RIBO Level 1 Entry-Level  
Broker Exam

**Version** : DEMO

1. Who is a Broker NOT permitted to pay a referral fee to?

- A. A realtor.
- B. A life insurance Agent/Broker.
- C. A car salesperson.
- D. A mortgage Broker.

**Answer: C**

**Explanation:**

Under the Registered Insurance Brokers Act (RIB Act) and Ontario Regulation 991, Section 15, strict guidelines govern the sharing of commissions and the payment of referral fees. The primary intent of these regulations is to maintain the professional independence of the broker and to protect the public from "tied selling" or unethical solicitation practices. A broker is permitted to pay a referral fee only to individuals who are licensed under the RIB Act or those licensed under other specific financial regulatory frameworks, such as the Insurance Act (Life Agents) or the Real Estate and Business Brokers Act, provided that the referral does not violate the rules of those respective bodies and is fully disclosed. A car salesperson is strictly prohibited from receiving such fees because they are not licensed to provide insurance advice, and such an arrangement creates a significant conflict of interest. This type of "kickback" could incentivize the salesperson to pressure a consumer into a specific insurance product for personal financial gain rather than the consumer's best interest. According to the RIBO Code of Conduct, brokers must remain candid and honest, ensuring that their recommendations are based solely on the client's needs. Engaging in referral fee payments to unlicensed persons in the automotive industry constitutes professional misconduct. The RIBO Blueprint emphasizes that a Level 1 broker must demonstrate knowledge of these boundaries to ensure the integrity of the profession and to prevent the exploitation of consumers at the point of sale. Maintaining a clear separation between the sale of a physical good (the car) and the procurement of a financial contract (insurance) is a fundamental regulatory requirement in Ontario.

2. What does a medical questionnaire for Travel insurance determine?

- A. The medical condition of the client to confirm if they can travel.
- B. The client's eligibility and rate category.
- C. The amount of coverage and deductible the company can offer the client.
- D. Mode of travel and length of stay for client.

**Answer: B**

**Explanation:**

In the realm of Travel Health Insurance, the medical questionnaire serves as the primary underwriting tool for assessing the risk associated with a traveler's health status. According to the RIBO Competency Profile, a broker must possess the technical knowledge to explain how insurers use these documents to classify risk. The questionnaire's primary function is to determine eligibility—whether the applicant meets the insurer's basic criteria for coverage—and the rate category, which dictates the premium level based on the applicant's health history and pre-existing conditions.

Travel insurance differs from standard health insurance because it often focuses on "stability periods" for pre-existing medical conditions. The questionnaire asks detailed questions regarding medications, recent hospitalizations, and chronic illnesses to place the applicant in a specific "tier" or "rating." If a client fails to provide accurate information, it constitutes misrepresentation, which is a violation of the Insurance Act and can lead to the denial of a claim or the policy being voided ab initio. While the

questionnaire might provide an indication of health, its legal and commercial purpose is not to provide medical advice on whether a person is "fit to travel" (which is a doctor's role), but to determine the financial terms of the insurance contract. As part of the Consulting and Advising competency, brokers must stress the importance of the principle of uberrimae fidei (utmost good faith) to the client, ensuring they understand that their answers directly impact the validity of the coverage and the cost of the policy.

3. Rashid has purchased a new home that has a woodstove but no current Wood Energy Technology Transfer (WETT) inspection. Coverage is needed for the home closure in 14 days. Company ABC has agreed to provide insurance as long as the WETT inspection is provided within 30 days of possession. What should the Broker do?

- A. Advise Rashid that the WETT inspection is required but no further action is needed.
- B. Advise Rashid to remove the woodstove upon possession, so that they can avoid the hassle of obtaining the WETT inspection.
- C. Advise Rashid of the inspection requirement and that the insurer may require removal of the unit if it does not pass the WETT inspection.
- D. Leave the existence of the woodstove off the application and policy until such time as a WETT inspection is completed.

**Answer: C**

**Explanation:**

The Consulting and Advising competency requires a broker to provide clear, full, and accurate information to the client regarding policy requirements and potential risks to coverage. In this scenario, the presence of a woodstove is a material fact because it significantly alters the fire risk of the dwelling. Most insurers in Ontario require a WETT inspection to ensure the unit is installed according to safety codes (e.g., proper clearances from combustible materials).

The broker's professional duty is to manage the client's expectations and disclose the conditional nature of the insurance binder. By choosing option C, the broker fulfills their ethical obligation to warn the client of the possible consequences if the inspection is not completed or if the unit fails.

Failure to do so could lead to an Errors and Omissions (E&O) claim if the client is forced to remove an expensive heating unit unexpectedly or if a claim is denied due to a breach of the 30-day condition.

Furthermore, following option D would be a direct violation of the RIB Act and Statutory Condition 1 (Misrepresentation), as it involves withholding a material fact from the insurer. The RIBO Blueprint highlights that a broker must act as a knowledgeable intermediary, ensuring that the client understands their obligations under the policy "subjectivities" set by the underwriter. This transparency builds Relationship Management and ensures the policy remains enforceable, protecting the interests of both the insured and the insurer.

4. Stanley recently moved back to Ontario after living abroad for two years. He purchased a vehicle and is asking his Broker for insurance quotes. One insurance company's quote is favourable but the company prefers not to insure Stanley because of the gap in his insurance history.

What should the Broker do to act within the scope of his agreement with the insurance company?

- A. Obtain approval for the risk from the Principal Broker for approval and then submit the completed application to the insurer.
- B. Discuss the risk with the insurer's underwriter for binding approval and then submit the completed application to the insurer.

- C. Discuss the risk with colleagues first and then submit the completed application to the insurer.
- D. Submit the application without the driving gap as this will get Stanley the best rate.

**Answer: B**

**Explanation:**

This question tests a broker's understanding of Binding Authority and the Agency Agreement between the brokerage and the insurer. In Ontario, while the "Take-All-Comers" (TAC) rule generally requires insurers to provide a quote to all eligible risks, a broker's individual authority to "bind" (instantly start) a policy is governed by specific underwriting guidelines. A gap in insurance history is often a criterion that falls outside of a broker's standard "automatic" binding authority.

To remain in Legal and Regulatory Compliance, a broker must never exceed the authority granted by the insurer. If an applicant does not meet the standard criteria (like a two-year gap), the broker must refer the file to a company underwriter. Discussing the risk with the underwriter allows the broker to explain the context of the gap (e.g., living abroad) and obtain specific binding approval. This ensures the policy is valid from the moment of inception. Choosing option D would constitute fraudulent misrepresentation, a severe breach of the RIB Act and the RIBO Code of Conduct (Ontario Regulation 991), which could lead to the revocation of the broker's license. The RIBO Competency Profile emphasizes that a Level 1 broker must recognize the limits of their professional capacity and use appropriate communication channels with insurers to ensure that every risk is accurately disclosed and properly authorized, thereby protecting the brokerage from liability and the client from having a voided policy.

5. John's Excavating commercial liability policy shows the description of operation as construction. John advises his Broker that he will be doing some snow removal for a period of 60 days.

What should John's Broker do?

- A. Advise the client that no action is required as the snow removal is being done for a short period of time.
- B. Advise the client there is automatic coverage under the Commercial General Liability policy for additional operations.
- C. Advise the client that the change in operations will be reported to the insurance company.
- D. Advise the client to delay the snow-removal work until the policy renews to avoid complications.

**Answer: C**

**Explanation:**

The Risk Identification and Classification competency is essential when managing commercial accounts. A Commercial General Liability (CGL) policy is underwritten based on a specific "Description of Operations." This description defines the scope of the risk the insurer is willing to cover. Snow removal is a distinct and significantly higher-risk operation than general excavation or construction due to the high frequency of third-party "slip and fall" liability claims.

Under the Insurance Act and the general principles of the insurance contract, an insured has a duty to report any material change in risk that is within their knowledge and control. Even if the activity is temporary (60 days), it represents a departure from the operations originally disclosed to the insurer. If the broker does not report this change, and a claim arises from the snow removal activity, the insurer may deny coverage or void the policy based on the failure to disclose a material change. By selecting C, the broker ensures they are acting in the best interest of the client by maintaining the integrity of the insurance contract. The underwriter may require an additional premium or a specific endorsement to cover the new exposure. The RIBO Blueprint requires Level 1 brokers to be able to identify shifts in a

client's business model and understand that "silence" regarding a material change is a breach of the Statutory Conditions, potentially leaving the client uninsured for their most hazardous activities.