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NEW QUESTION: 1

DEFINE: CYBER RISK (1 mark)

Answer:

See the answer in Explanation below.

Explanation:

Cyber risk is the risk of financial loss, business interruption or liability caused by a cyber event, such as unauthorized access, a cyberattack, system failure or loss of electronic data.

Reference: CAIB 3 Training & Study Pack - Cyber Insurance: cyber risks and loss exposures.

NEW QUESTION: 2

A) Which of the following coverages is for paying, "all amounts that you are legally obligated to pay to a person, other than a passenger, for bodily injury or property damage" arising out of the "use, ownership, or maintenance of the aircraft?" Please provide the full name. (1 mark) B) Provide two (2) examples of what this coverage can be extended to include? (2 marks) (3 marks)

Answer:

See the answer in Explanation below.

Explanation:

A) Liability Coverage - Bodily Injury and Property Damage to Third Parties.

B) Two examples of extensions are:

1. Damage to aircraft hangars or premises leased or occupied by the insured.
2. Emergency service expenses, such as runway foaming, fire/crash rescue or search and rescue.

Reference: CAIB 3 Training & Study Pack - Aviation Insurance: Third-Party Bodily Injury and Property Damage Liability and extensions.

NEW QUESTION: 3

What is the name of the bond that protects governments in the event that duties and taxes collected by the principal are not remitted to the government? (1 mark)

- A. Consignment bonds.
- B. Government bonds.
- C. Customs and excise bonds.
- D. Reclamation bonds.

Answer: ([SHOW ANSWER](#))

Comprehensive Explanation: A Customs and Excise Bond guarantees that the principal will comply with the applicable tax and customs requirements, including payment or remittance of duties and taxes owed to the government.

Reference: IBAC CAIB 3 Student Resource Guide (2013), Chapter 5 - Miscellaneous Bonds: Customs and Excise Bonds.

NEW QUESTION: 4

Under the inside/outside robbery coverage, which of the following would qualify as a custodian? (1 mark)

- A. Guard.
- B. Janitor.
- C. Watchman.
- D. Insured's partner.

Answer: ([SHOW ANSWER](#))

Comprehensive Explanation: A custodian includes the insured, a partner of the insured, or an authorized employee who has care and custody of the insured property. A guard, janitor or watchman is not treated as a custodian for this coverage.

Reference: CAIB 3 Training & Study Pack - Crime Insurance: Inside/Outside Robbery and the definition of custodian.

NEW QUESTION: 5

What are three (3) of the primary insurer's needs that can be satisfied through reinsurance? (3 marks)

Answer:

See the answer in Explanation below.

Explanation:

Three needs that reinsurance can satisfy are:

1. Increase the insurer's underwriting capacity.
2. Protect the insurer against large or catastrophic losses.
3. Stabilize the insurer's loss results from year to year.

Reference: CAIB 3 Training & Study Pack - Reinsurance: capacity, catastrophe protection and stabilization.

NEW QUESTION: 6

While very similar, there are some key differences between the coverages provided under the profits form and the gross earnings form. Name three (3) of those key differences. (3 marks)

Answer:

See the answer in Explanation below.

Explanation:

1. Gross Earnings coverage normally ends when the damaged property is repaired, rebuilt or replaced. The Profits Form can continue until the business income returns to the level it would have reached, subject to the selected indemnity period.
2. Under Gross Earnings, delays caused by the insured or other people involved can reduce the claim. Under the Profits Form, the focus is on delays for which the insured is responsible.
3. The Profits Form can cover income loss caused by delays in complying with building by-laws, while the Gross Earnings Form does not cover that additional delay in the same way.

Reference: CAIB 3 Training & Study Pack - Business Interruption: Gross Earnings Form compared with the Profits Form.

NEW QUESTION: 7

A primary insurer was offered a risk requiring \$100 million of insurance, but only had capacity to underwrite

\$40 million, so they opted for facultative reinsurance.

A) If the risk is reinsured using pro rata facultative insurance, how much of the coverage would belong to the primary insurer and how much does the reinsurer take on? (2 marks) B) What would it mean if they chose to use excess-of-loss facultative reinsurance instead? (1 mark) (3 marks)

Answer:

See the answer in Explanation below.

Explanation:

A) The primary insurer would retain \$40 million and the reinsurer would take \$60 million. Under pro rata reinsurance, premiums and losses are shared in the agreed proportion.

B) With excess-of-loss reinsurance, the primary insurer would pay losses up to its \$40 million retention, and the reinsurer would pay the amount above \$40 million, up to the agreed reinsurance limit.

Reference: CAIB 3 Training & Study Pack - Reinsurance: facultative, pro rata and excess-of-loss reinsurance.

NEW QUESTION: 8

DEFINE: PARTICULAR AVERAGE (1 mark)

Answer:

See the answer in Explanation below.

Explanation:

Particular average is a partial loss to a specific marine shipment caused by an insured peril, other than a General Average loss.

Reference: IBAC CAIB 3 Student Resource Guide (2013), Chapter 4 - Marine Insurance, Particular Average, reference p. 4-16.

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NEW QUESTION: 9

All of the following are differences between Directors' and Officers' Liability insurance and other types of liability insurance, EXCEPT ONE. Identify the EXCEPTION. (1 mark)

- A.** The right to associate with the defence.
- B.** The application forms part of the policy.
- C.** Defence costs are included with the limit.
- D.** Defence costs are included in addition to the limit.

Answer: ([SHOW ANSWER](#))

Comprehensive Explanation: In the D & O wording being tested, defence costs are included within and reduce the policy limit rather than being paid in addition to the limit. The application forming part of the policy and the insurer's right to associate in the defence are also features that must be reviewed in D & O coverage. Therefore D is the exception.

Reference: CAIB 3 Training & Study Pack - Directors' and Officers' Liability: defence costs, application and defence provisions.

NEW QUESTION: 10

Not everyone can qualify for a surety bond.

A) Identify the three (3) criteria which form the basis of the credit approval of every applicant for bonding. (1

1/2 marks)

B) Identify one (1) factor under each of the criteria stated above which the surety company would consider. (1

1/2 marks)

(3 marks)

Answer:

See the answer in Explanation below.

Explanation:

A) The three criteria are Character, Capacity and Capital.

B) One factor under each is:

- Character: honesty, reputation and past record.
- Capacity: experience and ability to complete the work.
- Capital: financial strength and available working capital.

Reference: IBAC CAIB 3 Student Resource Guide (2013), Chapter 5 - Qualifying for a Surety Bond:

Character, Capacity and Capital.

NEW QUESTION: 11

DEFINE: IN MOTION (1 mark)

Answer:

See the answer in Explanation below.

Explanation:

An aircraft is considered in motion when it is in flight or moving under its own power. It is also considered in motion while a propeller or rotor is being rotated by engine power.

Reference: IBAC CAIB 3 Student Resource Guide (2013), Chapter 4 - Aviation Insurance, reference p. 4-23.

NEW QUESTION: 12

DEFINE: ROBBERY (1 mark)

Answer:

See the answer in Explanation below.

Explanation:

Robbery is the unlawful taking of property from a person by force or violence, or by threatening force or violence.

Reference: CAIB 3 Training & Study Pack - Crime Insurance: robbery and custodian coverage.

NEW QUESTION: 13

DEFINE: RETROCESSION (1 mark)

Answer:

See the answer in Explanation below.

Explanation:

Retrocession is reinsurance of reinsurance. It occurs when a reinsurer transfers part of the risk it has accepted to another reinsurer, called the retrocessionaire.

Reference: CAIB 3 Training & Study Pack - Reinsurance: retrocession and retrocessionaire.

NEW QUESTION: 14

Your travel agent, Wanda Off, is concerned about the loss of business that might result if her building were to be destroyed by a fire or major storm.

A) Upon your recommendation, Wanda agreed to purchase the Extra Expense Endorsement Form. State the purpose of this coverage form and provide an example of an expense insured. (2 marks) B) Wanda purchased \$20,000 coverage under a 40/70/90/100% form. She had a fire loss this past winter but was able to resume operations at alternative premises until her building was repaired 80 days later. What would the insurer's maximum liability have been in this situation? (1 mark) (3 marks)

Answer:

See the answer in Explanation below.

Explanation:

A) The Extra Expense Endorsement pays necessary extra costs to keep the business operating as normally as possible after an insured loss. An example would be the cost of renting temporary office space while the damaged premises are being repaired.

B) The business operated at temporary premises for 80 days, so the 90% limit applies. $\$20,000 \times 90\% =$

$\$18,000$. The insurer's maximum liability is $\$18,000$.

Reference: CAIB 3 Training & Study Pack - Business Interruption: Extra Expense Endorsement and monthly /period limitation.

NEW QUESTION: 15

Does employee dishonesty coverage apply if the insured can not identify the employee responsible? Why or why not? (3 marks)

Answer:

See the answer in Explanation below.

Explanation:

Yes, coverage can still apply even if the exact employee cannot be identified. The insured must be able to prove that the loss was caused by the dishonest act of one or more employees. An unexplained inventory shortage by itself may not be enough proof.

Reference: CAIB 3 Training & Study Pack - Crime Insurance: Employee Dishonesty and proof of loss.

NEW QUESTION: 16

What governs the liability of aircraft owners and operators? (1 mark)

- A. Deductibles.
- B. Private vs commercial use.
- C. Endorsements.
- D. Principles of negligence.

Answer: (SHOW ANSWER)

Comprehensive Explanation: The legal liability of aircraft owners and operators is generally determined by the principles of negligence. Deductibles, endorsements and the type of aircraft use affect insurance coverage, but they do not establish the basic legal responsibility for causing injury or property damage.

Reference: CAIB 3 Training & Study Pack - Aviation Insurance: aircraft liability and negligence.

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NEW QUESTION: 17

DEFINE: EXTENDED REPORTING PERIOD (1 mark)

Answer:

See the answer in Explanation below.

Explanation:

An Extended Reporting Period is extra time after a claims-made policy ends during which a claim can still be reported for an occurrence or wrongful act that happened during the covered period, subject to the policy terms and any retroactive date.

Reference: IBAC CAIB 3 Student Resource Guide (2013), Chapter 2 - Claims-Made coverage and Extended Reporting Period, reference p. 2-40.

NEW QUESTION: 18

Your client chartered a boat to transport some goods. While parked at the terminal overnight, some thieves went aboard and stole some cargo. Upon investigation, it looks like the terminal's security was negligent, allowing the thieves to easily enter the premises.

A) Which liability insurance will cover this loss? (1 mark)

B) Your client is adamant that they should not be responsible. They want to sue - who can they hold responsible? (1 mark) C) Which liability insurance will protect against this litigation? (1 mark) (3 marks)

Answer:

See the answer in Explanation below.

Explanation:

A) Charterer's Legal Liability can protect the charterer for legal liability arising from the chartered vessel.

B) The terminal operator can be held responsible if its negligent security caused or contributed to the theft.

C) Terminal Operator's Legal Liability insurance can protect the terminal operator against this type of liability claim.

Reference: CAIB 3 Training & Study Pack - Marine Insurance: charterers' liability and terminal operators' legal liability.

NEW QUESTION: 19

What three (3) losses are the typical reasons for a net income loss exposure? (3 marks)

Answer:

See the answer in Explanation below.

Explanation:

Three common reasons for a net income loss exposure are:

1. Business interruption.
2. Contingent business interruption.
3. Loss of profit on finished goods.

Reference: IBAC CAIB 3 Student Resource Guide (2013), Chapter 6 - Risk Management, Net Income Loss Exposure, reference p. 6-3.

NEW QUESTION: 20

There are a wide variety of techniques or sources that can be used to systematically identify loss exposure.

List and briefly describe three (3) of them. (3 marks)

Answer:

See the answer in Explanation below.

Explanation:

1. Surveys or questionnaires - ask structured questions about the business and its operations to identify possible exposures.
2. Financial statements and records - show assets, income, expenses and other areas where the business could suffer a financial loss.
3. Personal inspections - a physical inspection of the premises can identify hazards and exposures that may not appear in the paperwork.

Reference: CAIB 3 Training & Study Pack - Risk Management: techniques for identifying loss exposures.

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