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Exam : **CAIB-3**

Title : Canadian Accredited Insurance Broker (CAIB 3) Exam

Version : DEMO

1.FILL IN THE BLANK
There are many details required by underwriters for cyber insurance. Name six (6) of those details required. (3 marks)
Answer:
Six details an underwriter may require are:
1. Type and size of the business.
2. Annual revenue.
3. Type and amount of confidential or personal data stored.
4. Computer and network security controls.
5. Backup and disaster recovery procedures.
6. Past cyber incidents or claims.
Reference: CAIB 3 Training & Study Pack - Cyber Insurance: underwriting information and cyber controls.

2.FILL IN THE BLANK
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:
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.

3.FILL IN THE BLANK
DEFINE: FIXED EXPENSES (BUSINESS INTERRUPTION) (1 mark)
Answer:
Fixed expenses are expenses that continue during a business interruption and do not change directly with the level of sales or production. Examples include rent, property taxes, insurance and certain salaries.
Reference: CAIB 3 Training & Study Pack - Business Interruption: continuing and fixed expenses.

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: D
Explanation:

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.

5.When considering the interaction of loss frequency and loss severity with the Prouty Approach, if the loss severity is significant and the loss frequency is almost nil, how should the loss be financed? (1 mark)
A. Retain.
B. Prevent.
C. Transfer.
D. Avoid.
Answer: A
Explanation:
Comprehensive Explanation
Under the Prouty Approach, a loss with significant severity but an almost nil frequency is normally retained. The event is unlikely to occur often enough to justify transferring every such exposure, provided the organization can financially absorb the loss.
Reference: CAIB 3 Training & Study Pack - Risk Management: Prouty Approach, frequency/severity matrix and risk financing.