

Your answers are shown below:

**1. Which one of the following statements is correct regarding cyber risk loss exposures?**

- A. Cyber risk intellectual property loss exposures include advertising injury liability.
- B. Hardware development is a way in which a company engaged in technology-related activities may incur cyber risk bodily injury liability.
- **C. Net income loss exposures could result from interruption of an organization's key suppliers' networks.**
- D. The two categories of personal property that are exposed to cyber risk loss are money and securities.

**C is correct. (Obj 1 – Type A).**

A is incorrect. Cyber risk intellectual property loss exposures include theft of trade secrets.

B is incorrect. Software development is a way in which a company engaged in technology-related activities may incur cyber risk bodily injury liability.

D is incorrect. The two categories of personal property that are exposed to cyber risk loss are tangible and intangible property.

**2. Which one of the following represents a form of intellectual property that could be subject to cyber risk loss exposures?**

- A. Computer hardware.
- **B. Copyright.**
- C. Machinery.
- D. Stock certificate.

**B is correct. (Obj 1 – Type A).**

A is incorrect. Computer hardware is a type of tangible personal property. All forms of intellectual property are intangible.

C is incorrect. Equipment and machinery is a type of tangible personal property. All forms of intellectual property are intangible.

D is incorrect. Although a stock certificate is intangible property, it is not considered intellectual property. Intellectual property includes copyrights, trademarks, patents, and trade secrets.

**3. Which of the following statements is correct regarding cyber risk loss exposures?**

- **A. Commercial property forms usually limit coverage for loss of electronic data to an amount that is insufficient for most insureds.**
- B. The distinction between tangible and intangible property is particularly relevant for commercial property forms.
- C. Expertise is the value of an organization, beyond the value of its tangible assets, that is due to its favorable reputation.
- D. Artificial intelligence refers to an organization's product of human intelligence that has economic value.

**A is correct. (Obj 1 – Type A).**

B is incorrect. The distinction between tangible and intangible property is more relevant to commercial liability forms than commercial property forms.

C is incorrect. Goodwill is the value of an organization, beyond the value of its tangible assets, that is due to its favorable reputation.

D is incorrect. Intellectual property refers to an organization's product of human intelligence that has economic value.

**4. A denial-of-service attack that blocks users' access to an online retailer's website would be an example of what type of cyber risk exposure?**

- A. Errors and omissions liability.
- B. Advertising injury.
- C. Intellectual property.
- **D. Business income.**

**D is correct. (Obj 1 – Type A).**

For an organization that generates revenue through its website, a denial-of-service attack can adversely affect the business by reducing or even eliminating the income. This is a type of business income loss exposure.

**5. Ron sells novelty hats and t-shirts through his web-based business. Customer data, such as mailing addresses and credit card numbers, are kept on one file server. This same server is used to host the website. All of the customer data was stolen by a hacker, who then deleted the data from the server. This represents which one of the following types of losses?**

- A. Business income loss.
- **B. Liability loss.**

- C. Intangible property loss.
- D. Bodily injury loss.

**C is correct. (Obj 1 – Type B).**

Intangible property is property that has no physical form, such as customer lists and credit card numbers.

**6. Susan is the owner of a blog site that she has run for two years. She posted a copyrighted magazine article to the website without first obtaining permission from the newspaper. The newspaper is threatening to sue Susan for posting the article. This is an example of which one of the following cyber risk loss exposures?**

- A. Property damage liability.
- B. Advertising injury liability.
- C. Errors and omissions liability.
- **D. Intellectual property liability.**

**D is correct. (Obj 1 – Type B).**

This is an example of copyright infringement, which is a type of intellectual property liability exposure.

**7. Ted is a freelance computer programmer who develops custom websites from his home office. He entered into a contract to develop a website for a martial arts studio. The website was intended to increase business for the studio, and also allow students to pay their monthly dues online. As a result of a short deadline, Ted did not install a security feature on the website. The website was hacked, and the hacker stole all the customers' credit card information. Which one of the following best describes Ted's cyber risk loss exposure?**

- **A. Errors and omissions liability exposure.**
- B. Business income exposure.
- C. Intellectual property liability exposure.
- D. Property damage liability exposure.

**A is correct. (Obj 1 – Type B).**

Errors and omissions loss exposures can include design errors manufacturing errors, or service errors. If a programmer neglects to include security features of a website, this would be considered an errors and omissions loss exposure.

**8. All of the following represent specific risk control measures to mitigate cyber risk, EXCEPT:**

- A. Personnel controls.
- B. Physical controls.
- **C. Financial controls.**
- D. Managerial controls.

**C is correct. (Obj 2 – Type A).**

Specific risk control measures to mitigate cyber risk include the following:

- Personnel controls.
- Physical controls.
- Procedural controls.
- Managerial controls.
- Prosecution of cyber crimes.
- Rapid recovery program.

**9. Which one of the following statements is correct regarding risk control measures used to prevent or mitigate cyber risk?**

- A. Retention of cyber risk loss exposures decreases the likelihood of risk control.
- **B. Personnel controls include pre-employment screening and termination procedures.**
- C. A firewall is an example of a managerial control.
- D. Malware represents the biological identification of an individual using anatomy.

**B is correct. (Obj 2 – Type A).**

A is incorrect. Retention of cyber risk loss exposures increases the likelihood of risk control.

C is incorrect. A firewall is an example of a procedural control.

D is incorrect. Biometrics represents the biological identification of an individual using anatomy.

**10. Which one of the following sets of risk control measures represents physical controls?**

- A. Pre-employment screening, appropriate training, and outlines of unacceptable behavior.
- B. Centralized responsibility for cyber security and compliance with risk control measures.
- C. Security policies, monitoring procedures, and establishment of a privacy policy.
- **D. Biometrics, surveillance, and limited access to computer equipment.**

**D is correct. (Obj 2 – Type A).**

A is incorrect. Pre-employment screening, appropriate training, and outlines of unacceptable behavior are examples of personnel controls.

B is incorrect. Centralized responsibility for cyber security and compliance with risk control measures are examples of managerial controls.

C is incorrect. Security policies, monitoring procedures, and establishment of a privacy policy are examples of procedural controls.

**11. Which one of the following statements is correct regarding the control and financing of cyber risk loss exposures?**

- A. Typical commercial insurance policies provide broad coverage to an insured for cyber risk loss exposures.
- B. A disadvantage of the use of retention to finance an organization's cyber risk loss exposures is that it discourages risk control.
- C. Cyber insurance is considered the most effective loss control method against losses from computer hackers.
- **D. Fear of negative publicity often causes organizations to fail to report cyber crimes to authorities.**

**D is correct. (Obj 2 – Type A).**

A is incorrect. Typical commercial insurance policies exclude or severely restrict coverage for cyber risk loss exposures.

B is incorrect. Retention is a cyber liability financing technique that most strongly encourages risk control. This is an advantage of retention.

C is incorrect. Passwords are considered the most effective loss control method against losses from computer hackers.

**12. An organization that utilizes data encryption, passwords, and antivirus software to thwart computer hackers is using which one of the following risk control measures?**

- A. Managerial controls.
- **B. Procedural controls.**
- C. Physical controls.
- D. Personnel controls.

**B is correct. (Obj 2 – Type A).**

Procedural controls specify that tasks be performed in secure ways. Procedural controls include firewalls, passwords, encryption, and antivirus software.

**13. An organization that utilizes locked doors, security alarms, biometrics, and surveillance to place barriers between cyber criminals and their targets is using which one of the following risk control measures?**

- A. Managerial controls.
- B. Procedural controls.
- **C. Physical controls.**
- D. Personnel controls.

**C is correct. (Obj 2 – Type A).**

Physical controls place barriers between criminals and their targets. Physical controls include guards, alarms, surveillance, and biometrics.

**14. Which one of the following risk control measures would be considered a personnel control?**

- A. Revoking computer access and passwords of terminated employees.
- **B. Monitoring compliance with a security plan.**
- C. Installing a central security alarm on the premises.
- D. Centralizing responsibility for cyber security.

**A is correct. (Obj 2 – Type A).**

B is incorrect. Monitoring compliance with a security plan is a managerial control.

C is incorrect. Installing a central security alarm on the premises would be an example of a physical control.

D is incorrect. Centralizing responsibility for cyber security is a managerial control.

**15. Fortress Web Developers, LLC develops websites for various organizations in Ohio. Fortress built a website for Sonic Peace Retailer. Recently, Sonic accused Fortress of building an unsecure site, causing Sonic's customers' information to be compromised by hackers. Sonic has sued Fortress for damages. Which one of the following represents a noninsurance risk transfer method Fortress could have used to protect itself?**

- A. Risk sensitivity document.
- **B. Hold-harmless agreement.**
- C. Surety bond.
- D. Cyber risk insurance.

**B is correct. (Obj 2 – Type B).**

There are two noninsurance risk transfer techniques that could have been used by Fortress to help protect themselves: a hold-harmless agreement and a liability disclaimer.

**16. A company that needs coverage for expenses related to computer network kidnap and/or ransom events should choose which one of the following insuring agreements in a cyber risk insurance policy?**

- A. Electronic data protection.
- B. Electronic media liability.
- **C. Cyber extortion.**
- D. Cyber crime.

**C is correct. (Obj 3 – Type A).**

Cyber extortion coverage provides coverage for expenses related to computer network kidnap and/or ransom events.

**17. Insurance agreements that are commonly found in cyber risk insurance policies include many categories, including cyber crime coverage. Which one of the following losses would be covered by a cyber crime insuring agreement?**

- **A. An employee of the insured gains access to the insured's online bank account and diverts funds into the employee's account.**
- B. A bank employee accesses customer information from the bank's database, and reveals this information to an accomplice who uses the information to commit identity theft.
- C. A hacker accesses the insured's email accounts and steals trade secrets, threatening to reveal the secrets unless the insured pays the hacker money.
- D. A computer virus damages an insured's software, requiring the insured to purchase replacement software.

**A is correct. (Obj 3 – Type A).**

B is incorrect. Unauthorized disclosure of information would be covered under a privacy liability insuring agreement.

C is incorrect. Extortion would be covered by a cyber extortion insuring agreement.

D is incorrect. Losses relating to a computer virus would be covered by an electronic data protection insuring agreement.

**18. A company needs coverage for lost income related to a website shutdown during a peak sales period caused by a denial-of-service attack. The company should choose which one of the following insuring agreements in a cyber risk insurance policy?**

- A. Terrorism coverage.
- **B. Business interruption.**
- C. Network security liability.
- D. Cyber extortion.

**B is correct. (Obj 3 – Type A).**

A business interruption insuring agreement provides coverage for loss of business income and payment of extra expenses as a result of business interruption or suspension due to cyber risk loss.

**19. Which one of the following insuring agreements should be included in a cyber risk policy to provide coverage for recovering or restoring electronic data after a cyber attack?**

- A. Notification or remediation.
- **B. Electronic data protection.**
- C. Business interruption.
- D. Cyber crime.

**B is correct. (Obj 3 – Type A).**

A is incorrect. A notification or remediation insuring agreement pays expenses during crisis management, including costs to notify customers of a security breach.

C is incorrect. A business interruption insuring agreement would cover the loss of business income resulting from a computer shutdown.

D is incorrect. A cyber crime insuring agreement would cover the theft of money or securities.

**20. Which one of the following features in a cyber risk insurance policy would be particularly useful for an organization that is unsure about where its maximum possible cyber risk loss exposure may exist?**

- A. High deductible.
- B. Goodwill exclusion.
- **C. Blanket limit.**
- D. Intellectual property coverage.

**C is correct. (Obj 3 – Type A).**

Some insurers offer a blanket limit with the policy. This would be helpful to an organization that is unsure about where its maximum possible cyber risk loss exposure may exist.

**21. Which one of the following statements is correct regarding cyber risk insurance policies?**

- **A. Most policies pay defense costs within the policy limits, thereby reducing the limit of insurance.**  
B. A business interruption insuring agreement is appropriate for an organization that is worried a hacker will divert funds from its bank accounts.
- C. Insurers do not permit occurrence coverage triggers in cyber risk insurance policies.
- D. The coverage territory is typically negotiated separately for each coverage and added by endorsement.

**A is correct. (Obj 3 – Type A).**

B is incorrect. A cyber crime insuring agreement is most appropriate for an organization that handles a large amount of money and is worried a hacker will divert funds from its accounts.

C is incorrect. Claims-made or discovery coverage triggers and occurrence coverage triggers are available in cyber risk insurance policies.

D is incorrect. Almost all cyber risk insurance policies offer worldwide coverage.

**22. Storm Company operates a website to help advertise and sells its various products. The website made certain claims about one of its products that was untrue. A customer sued Storm Company for false advertising. The company would be covered for potential liability if it had purchased which one of the following insuring agreements in cyber risk insurance policy?**

- A. Notification or remediation.
- **B. Intellectual property liability.**
- C. Technology errors and omissions liability.
- D. Electronic media liability.

**D is correct. (Obj 3 – Type B).**

An electronic media liability insuring agreement provides coverage for liability arising from the insured's online content. The coverage can include email communications, website content, and message board content.

**23. John is an information technology (IT) consultant for a large technology solutions provider in California. John is at a client site, where he installs upgrades to the client's hardware and software. John made several mistakes in the installation process, causing the client's network to shut down for two days. The shutdown resulted in the client losing business income. The client sued John's employer. The employer would be covered for potential liability if it had purchased which one of the following insuring agreements in cyber risk insurance policy?**

- A. Business interruption.
- B. Electronic data protection.
- **C. Technology errors and omissions liability.**
- D. Network security liability.

**C is correct. (Obj 3 – Type B).**

Technology errors and omissions liability provides coverage for liability arising from any negligent act, error, or omission relating to an insured's products or services provided to others.

**24. Which one of the following statements is correct regarding terrorism endorsements?**

- A. The workers' compensation endorsement developed by NCCI includes acts of war among the losses that are covered.
- **B. Acts of terrorism that are not certified under the federal program are specifically excluded from coverage under the certified acts exclusion endorsement.**
- C. The main purpose of the aggregate limit endorsement is to provide a different means of marketing terrorism insurance coverage.
- D. A \$50,000,000 cap is placed on annual aggregate losses paid by the federal government and all insurers for certified acts of terrorism.

**A is correct. (Obj 4 – Type A).**

B is incorrect. The certified acts exclusion endorsements do not exclude acts of terrorism that are not certified under the federal program. However, these acts are typically subject to other exclusions in the policy.

C is incorrect. The two main purposes of the aggregate limit endorsement are to 1) provide limited liability coverage for acts of terrorism at a reduced premium, and 2) limit the insurer's exposure.

D is incorrect. A \$100,000,000,000 cap is placed on annual aggregate insured losses paid by the federal government and all insurers for certified acts of terrorism.

**25. Which one of the following statements is correct regarding the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) of 2015?**

- **A. It requires property-casualty insurers to offer terrorism coverage without terrorism-specific exclusions or limitations.**
- B. All personal and commercial lines of insurance are eligible for its loss-sharing program.
- C. It increased the original \$5,000,000 aggregate insured losses trigger to a minimum of \$15,000,000.
- D. It is designed to maintain stability in the insurance market while reducing the insurance industry's percentage of the risk of terrorism-related losses.

**A is correct. (Obj 4 – Type A).**

B is incorrect. Personal lines are not eligible for the TRIPRA loss-sharing program. In addition, several commercial lines are not eligible.

C is incorrect. TRIPRA increased the original \$5,000,000 aggregate insured losses trigger to a minimum of \$100,000,000. The \$100,000,000 program trigger under TRIPRA increases each calendar year in increments of \$20,000,000, ultimately reaching \$200,000,000 in 2020.

D is incorrect. TRIPRA is designed to maintain stability in the insurance market while reducing the federal government's participation in the payment of future terrorism-related losses.

**26. When insurers extend an offer to purchase insurance or to renew a policy that is reinsured under the Terrorism Risk Insurance Act (TRIA) and its subsequent amendments, the insurers are required to make certain disclosures to policyholders. Which one of the following is a required disclosure?**

- A. The contact information for the governing body responsible for certifying a terrorist act.
- B. The reinsurance agreement provisions and expiration date.
- C. The amount paid by the insurer in terrorism-related losses in the past five years.
- **D. The federal share of compensation for certified acts of terrorism under the program.**

**D is correct. (Obj 4 – Type A).**

The three required disclosures under TRIA are:

- The portion of the policy premium that is attributed to certified acts of terrorism.
- The federal share of compensation for certified acts of terrorism under the program.
- The amount of the program cap (\$100 billion).

**27. Which one of the following statements is correct regarding ISO terrorism endorsements created since the Terrorism Risk Insurance Act (TRIA) and its subsequent amendments?**

- A. TRIA does not allow automobile policies to exclude terrorism as a covered cause of loss.
- **B. When an insured accepts an insurer's offer of terrorism coverage, insurers must attach a program cap endorsement to each policy.**
- C. Nuclear, biological, chemical, or radiological (NBCR) endorsements provide coverage for losses caused by NBCR acts.
- D. Punitive damages exclusion endorsements are not permitted in the 2015 amendment to the TRIA.

**B is correct. (Obj 4 – Type A).**

A is incorrect. TRIA does not apply to automobile insurance, and endorsements can be added to automobile coverage to exclude terrorism.

C is incorrect. Nuclear, biological, chemical, or radiological (NBCR) endorsements exclude coverage for losses caused directly or indirectly by NBCR acts.

D is incorrect. Where permitted by law, the punitive damages exclusion endorsements may be used to exclude coverage for terrorism-related punitive damages that result from civil acts.

**28. Under the disclosure provisions of the Terrorism Risk Insurance Act (TRIA) and its subsequent amendments, insurers are required to inform policyholders:**

- A. That an act of war can never be considered an act of terrorism.
- B. That if the program cap of \$25 billion is exceeded, the amount of coverage for certified losses may be reduced at the discretion of the state insurance commissioner.
- **C. The portion of the premium that is attributed to certified acts of terrorism and a list of coverages to which the premium applies.**
- D. The insurer's responsibility to pay losses for certified acts of terrorism will end if the program cap is reached.

**C is correct. (Obj 4 – Type A).**

A is incorrect. There is no such disclosure provision.

B is incorrect. If the program cap of \$100 billion is exceeded, the amount of coverage for certified losses may be reduced at the discretion of the Secretary of the Treasury.

D is incorrect. Although it is correct that the insurer's responsibility to pay losses for certified acts of terrorism will end if the program cap is reached, this is not part of the TRIA disclosure requirements.

**29. Which one of the following lines of business is eligible for the Terrorism Risk Insurance Program Reauthorization Act's loss-sharing program?**

- A. Private mortgage.
- **B. Directors and officers liability.**
- C. Farm owners multiperil.
- D. Commercial auto.

**B is correct. (Obj 4 – Type A).**

All commercial lines are eligible for coverage under the Terrorism Risk Insurance Program Reauthorization Act's loss-sharing program except:

- Crop.
- Private mortgage.
- Financial guaranty issued by monoline financial guaranty insurers.
- Medical malpractice.
- Life or health.
- Federal flood.

- Burglary and theft.
- Professional liability (other than directors and officers liability, which is eligible for coverage).
- Commercial auto.

**30. Specialized coverages for foreign loss exposures are an important part of any business with foreign operations because:**

- A. Coverage for most companies domiciled inside the U.S. only extend to losses suffered in Mexico and Europe.
- **B. Standard commercial insurance policies sold in the U.S. leave insureds with foreign operations exposed to potentially serious coverage gaps.**
- C. Terrorism coverage is not available in any commercial insurance policy sold within the U.S.
- D. Standard commercial insurance policies sold in the U.S. generally limit the amount of foreign loss coverage to \$25,000,000.

**B is correct. (Obj 5 – Type A).**

Commercial policies sold within the U.S. generally restrict coverage to the U.S., Canada, and Puerto Rico. Therefore, insured with foreign operations are exposed to potentially serious coverage gaps.

**31. Which one of the following statements is correct regarding international insurance solutions?**

- A. The four common methods of addressing international insurance exposures are mutually exclusive.
- B. Territorial endorsements are most useful to organizations that have a major branch office in a foreign country.
- C. International package policies do not offer much flexibility in coverage options.
- **D. A disadvantage of purchasing coverage from a nonaffiliated local insurer is a lack of economies-of-scale.**

**D is correct. (Obj 5 – Type A).**

A is incorrect. The four common methods of addressing international insurance exposures are not necessarily mutually exclusive.

B is incorrect. Territorial endorsements are most useful to organizations that have no physical presence in foreign countries but engage in occasional foreign business travel.

C is incorrect. One of the advantages of international package policies is that they offer many options and can be easily modified to fit the insured's needs. These policies offer broad coverages at low prices.

**32. Which one of the following statements is correct regarding territorial endorsements to existing U.S. insurance policies?**

- **A. They provide adequate coverage for minimal overseas exposures, typically at a relatively low premium.**
- B. Insurers that sell them usually have many years of international underwriting and claims experience.
- C. They automatically provide coverage that addresses local insurance needs.
- D. Coverage is provided on an admitted basis, thus satisfying local regulations.

**A is correct. (Obj 5 – Type A).**

B is incorrect. This is an advantage of international package policies. A disadvantage of territorial endorsements is that even though many U.S. insurers add these endorsements, most have limited experience dealing with international claims.

C is incorrect. A disadvantage of territorial endorsements is that they may not address local needs.

D is incorrect. This is an advantage of buying international insurance in local markets. Territorial endorsements provide nonadmitted coverage.

**33. Which one of the following statements is correct regarding international package policies as an international insurance solution?**

- A. They cover both the insured's domestic and international loss exposures.
- B. Coverage is provided on an admitted basis, thus satisfying local regulations.
- **C. They are typically sold to companies headquartered in the United States.**
- D. They link master policies written in the insured's home country with local policies written in countries where the insured does business.

**C is correct. (Obj 5 – Type A).**

A is incorrect. International package policies cover only the insured's international exposures. They are separate from the insured's domestic policies.

B is incorrect. International package policies are nonadmitted insurance.

D is incorrect. Controlled master programs link master policies written in the insured's home country with local policies written in countries where the insured does business.



**34. Which one of the following represents a difficulty associated with controlled master programs?**

- A. The coverage they provide is nonadmitted.
- **B. It can be difficult to find global brokers and insurers to partner with.**
- C. Control of the entity is decentralized.
- D. They are usually unable to negotiate a competitive premium.

**B is correct. (Obj 5 – Type A).**

A is incorrect. A controlled master program provides admitted coverage.

C is incorrect. One of the advantages of a controlled master program is that it offers centralized control.

D is incorrect. Controlled master programs usually work with one broker and one insurance company, which allows them to negotiate much better prices.

**35. ABC Company wants to set up a controlled master program (CMP) to cover its international loss exposures. Which one of the following represents the first stage of this process?**

- A. Write the master policies that provide the agreed-upon coverages on a nonadmitted basis.
- B. Appoint the local office of global brokers as its agents.
- **C. Develop a global strategy relating to risk tolerance and insurance purchasing philosophy.**
- D. Select a global insurer.

**B is correct. (Obj 5 – Type B).**

When setting up a CMP, the first step is to have local managers in each country appoint the local office of the global broker as their agents. The managers and brokers then assess the exposures and insurance needs.

**36. A scrap metal dealer sends metal to its warehouse in Brazil before it is sold to manufacturers of hubcabs. The dealer is headquartered in the U.S. and is in the process of purchasing an international package policy. Which one of the following statements is correct regarding the policy?**

- A. The insurer issuing the policy is most likely domiciled in Brazil.
- **B. The premiums will likely be substantially higher than those charged if a territorial endorsement to a policy written in the U.S. is used.**
- C. The policy is admitted insurance.
- D. The policy can be easily modified to cover only those exposures relevant to the insured.

**D is correct. (Obj 5 – Type B).**

A is incorrect. The insurer issuing the policy is most likely domiciled in the United States.

B is incorrect. International package policies can typically be offered at a lower premium.

C is incorrect. International package policies are nonadmitted insurance.

