

## C35 INSURANCE AGAINST CRIME

### IMPORTANT

The time allowed for this exam is 3 hours.

Total marks: 200

**You must hand in this paper** and any paper used for rough work to the supervisor when you leave the examination room. Failure to do so may result in disqualification.

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### Section A: Multiple-Choice Questions

Question 1. For the following multiple-choice questions, fill in the circle of the letter that identifies the most correct answer.

Example: (A) (B) ● (D)

**DO NOT MARK THE ANSWERS ON THESE PAGES.**

**USE THE FIRST PAGE OF YOUR ANSWER BOOK.**

1. Under the Commercial Crime Policy (IBC Form # 6000), **burglary** means
- (A) mysterious disappearance of money.
  - (B) theft of stock by an employee.
  - (C) unlawful taking of property by someone unlawfully leaving the premises.
  - (D) break-in of business premises only while the business is closed.

2. Which of the following is NOT a crime peril?
- (A) Computer fraud
  - (B) Extortion
  - (C) Document forgery
  - (D) Mysterious disappearance
3. In the event that an insured declares bankruptcy during the term of a policy covering crime,
- (A) the trustee in bankruptcy must notify the insurer of the change of interest.
  - (B) the policy is automatically cancelled.
  - (C) the insurer need not agree to the change of interest.
  - (D) the insured and the trustee in bankruptcy are entitled to co-payment of the insurance proceeds.
4. A warehouse insured under a standard Commercial Crime Insurance policy, was broken into on January 10, 2000. The insured did not discover the break-in until September of that same year and did not report the loss until February 1, 2001. The policy period ended on January 20, 2000. Under the policy, the insured
- (A) was required to report the loss immediately after it was discovered.
  - (B) must take legal action against the insurer prior to February 1, 2003.
  - (C) met the loss reporting requirements.
  - (D) had 90 days to report a loss.
5. The Other Insurance condition of the Commercial Crime Insurance policy stipulates that, in Quebec, if there is other valid and collectible insurance which applies to any loss insured under the policy,
- (A) the policy shall apply as excess over the other policies.
  - (B) each insurer will contribute its pro rata share of the loss.
  - (C) the other insurance will apply as excess.
  - (D) the policy with the earliest inception date will cover the loss.
6. Under the General Conditions of the Commercial Crime Insurance policy, the insured's right to take legal action against the insurer
- (A) begins 90 days after the date of a loss.
  - (B) ends one year after the date of a loss.
  - (C) ends one year after the proof of loss is filed.
  - (D) begins 90 days after the proof of loss is filed.
7. An insurer that cancels a crime insurance policy for nonpayment of premium is required to provide advance notice of
- (A) five days either by mail or personal delivery.
  - (B) 15 days either by mail or personal delivery.
  - (C) five days by personal delivery or 15 days by mail.
  - (D) 30 days advance notice by either mail or personal delivery.

8. Under the General Definitions of the Commercial Crime Insurance policy, (IBC Form #6000), a **custodian** is defined as
- (A) any person authorized by the insured to have the care and custody of insured property.
  - (B) any able-bodied person who accompanies a person in lawful possession of property at the insured's direction, who is not the driver of a public conveyance.
  - (C) any person employed exclusively by the insured to have care and custody of insured property inside the premises while the premises are closed for business and who has no other duties.
  - (D) the insured, a partner, or an employee authorized by the insured to have the care and custody of insured property, excluding anyone acting as a guard, porter, janitor, or watchman.
9. The General Definitions of the Commercial Crime Insurance policy describe **safe burglary** as including
- (A) the unlawful taking of insured property from a safe on the premises by forcible entry evidenced by visible marks.
  - (B) the unlawful taking of insured property from an open vault.
  - (C) theft of a safe from an armored vehicle.
  - (D) the unlawful taking of insured property from an open safe by an employee.
10. Which of the following would be considered an **employee** as defined by the 3-D Policy, (IBC Form # 5000)?
- (A) A former employee who left the company 15 days prior to a loss
  - (B) An independent consultant hired by contract
  - (C) The owner of a company who is also a salaried employee
  - (D) A temporary clerical assistant provided through an employment agency
11. A small, retail clothing store is insured under a standard 3-D policy. The store manager has discovered that the bank will not honour a customer's cheque because the signature was forged. The 3-D policy
- (A) would cover this loss under the Depositor's Forgery coverage of the policy.
  - (B) would not cover this loss under its Depositor's Forgery section.
  - (C) would provide coverage for this loss under Money Orders and Counterfeit Paper Currency coverage.
  - (D) would cover this loss under the Depositor's Forgery coverage of the policy, with a deductible representing 25% of each loss.
12. With respect to employee dishonesty, **manifest intent** means that
- (A) it must be clear that the employee intended to defraud the insured.
  - (B) the employee's dishonesty must be easily discovered.
  - (C) the employee benefits from his or her actions.
  - (D) it is not necessary to prove that an employee caused a loss.

13. Under a Financial Institution Bond, the Limit of Insurance
- (A) represents the total amount that the policy will pay per loss.
  - (B) represents the total amount payable for all losses in a policy period.
  - (C) provides for automatic reinstatement of limits.
  - (D) is usually different from the policy limit.
14. In underwriting crime insurance, an insurer depends upon a low loss ratio because
- (A) most culprits are never prosecuted and recovery cannot be sought.
  - (B) losses tend to be much more severe than those of other classes of business.
  - (C) commission and the cost of essential inspections make profit more elusive.
  - (D) competition has placed a downward pressure on premiums.
15. A risk should be considered ineligible for Mercantile Stock Burglary coverage unless it
- (A) has a burglary resistant safe that cannot be easily removed from the premises.
  - (B) has safeguards to protect money and securities within the premises after business hours.
  - (C) pays salaries that are adequate to ensure employees can live reasonably without being unduly tempted to steal.
  - (D) keeps inventory records and books and accounts in such a manner that the amount of loss can be determined with accuracy.
16. Money and securities coverage
- (A) includes loss from mysterious disappearance.
  - (B) should be underwritten with an insurer different than the carrier of fidelity bond coverage.
  - (C) excludes robbery by an employee of the insured.
  - (D) excludes destruction of money and securities by fire.
17. Which of the following types of outer door construction provides the most resistance to attack?
- (A) 50 mm close boarded framed
  - (B) 50 mm softwood with solid panels
  - (C) 50 mm hardwood with solid panels
  - (D) 50 mm softwood with glass panels
18. Which of the following is the main factor to be considered in assessing the resistance of building windows to burglary?
- (A) Protection
  - (B) Window type
  - (C) Accessibility
  - (D) Type of glass

19. A dead latch is a type of lock bolt that
- (A) provides excellent protection from break in.
  - (B) is similar in operation to a spring latch.
  - (C) provides less protection than a spring latch.
  - (D) can incorporate an "extended throw" feature.
20. A double cylinder lock requires
- (A) the insertion of an identification card into a card reader to open it.
  - (B) either a key or the temporary removal of electrical current.
  - (C) a key to enter from the outside but opens without a key from the inside.
  - (D) a key to open from both the outside and the inside.
21. Glass breakage detection systems are
- (A) triggered by a break in a single wire circuit.
  - (B) commonly used to protect show windows made of burglary resistant glazing materials.
  - (C) intended to replace conductive foil.
  - (D) generally used in conjunction with conductive foil.
22. Theft, while not defined in the Commercial Crime Insurance Policy, is understood to mean the
- (A) unlawful taking of insured property from a vault or safe that has a combination lock and is located within the premises.
  - (B) unlawful taking of insured property from within the premises by a person unlawfully entering or leaving the premises.
  - (C) taking of insured property from a custodian by a person or persons who have caused or threatened to cause the custodian bodily harm.
  - (D) felonious taking of property with or without force or violence while the premises are opened or closed.
23. The switch used for the contact protection of a safe is a
- (A) lever operated type.
  - (B) plunger operated type.
  - (C) vibration operated type.
  - (D) rod operated type.
24. Which of the following is an example of a fixed protection device?
- (A) Switches on front doors
  - (B) Foil on glass windows
  - (C) Capacitance detectors
  - (D) Photo-electric beams

25. Which of the following types of contact switch, operates on spring tension and is suitable on night and after-hours bank depositories?
- (A) A lever operated switch
  - (B) A vibration operated switch
  - (C) A rod operated switch
  - (D) A jumpering operated switch
26. Which of the following switches is used to protect openings such as horizontally-pivoted windows or transoms?
- (A) Floor trap
  - (B) Rod operated
  - (C) Plunger operated
  - (D) Tilt-operated mercury
27. An **ultrasonic detection device**
- (A) senses a change in the amount of infrared energy.
  - (B) is triggered by a break in a beam of photoelectric light.
  - (C) is a self-restoring system.
  - (D) costs more than conventional wiring techniques.
28. An intrusion system that may send unwanted alarm signals when located near a roof or metal door that flexes in the wind, includes
- (A) a photoelectric detection device.
  - (B) an ultrasonic detection device.
  - (C) a microwave detection device.
  - (D) an infrared detection device.
29. A simple closed-circuit alarm line system
- (A) provides maximum line security compared to the alternatives.
  - (B) is triggered by a discontinuance of current over the telephone line.
  - (C) is triggered when a relay closes, permitting electricity to flow through the telephone line.
  - (D) offers maximum supervision and security.
30. Which of the following is best described as an alarm response system that is a miniature, on-premises central station from which security personnel can monitor a large building or buildings?
- (A) A monitoring station system
  - (B) A central station system
  - (C) A proprietary system
  - (D) A local alarm system

31. A ULC Certificate that rates line security at Level I indicates that
- (A) an attempt to compromise the connecting line between the station and the protected premises shall be automatically detected within six minutes.
  - (B) subscribers affected by a fault condition shall be identified.
  - (C) substitution of randomly selected equipment must be detected in 95% of cases.
  - (D) the signalling line or communication channel shall be continuously supervised.
32. Fidelity bond claims are difficult to adjust because
- (A) wrongful conversion is generally not covered.
  - (B) coverage of larceny is usually excluded.
  - (C) litigation is frequent.
  - (D) some wordings require conclusive proof of fraud.
33. Under Safe Deposit Box, blanket lessor's coverage,
- (A) claimants must prove the contents of the safe deposit box were not ill-gotten gains.
  - (B) no claim is recognized unless negligence on the part of the lessor can be proven.
  - (C) it is generally difficult to establish the facts of an occurrence.
  - (D) no claim is recognized without a written record of the securities or other property contained in each safe deposit box.
34. The most frequently used safe burglary tool is a
- (A) crowbar.
  - (B) sledgehammer.
  - (C) drill.
  - (D) torch.
35. Under a fidelity bond
- (A) an employee convicted of fraud against the employer is relieved of the obligation to repay the money taken from the employer.
  - (B) the insurance company that has paid under the bond may initiate prosecution of the employee.
  - (C) a dishonest act outside the course of employment is covered.
  - (D) the insurer after payment under the bond becomes subrogated to the rights of the employer.
36. The number on a ULC listed burglar resistant safe indicates the
- (A) number of tools that have been tested and proven ineffective.
  - (B) length of time the safe has been exposed to a furnace fire.
  - (C) level of burglar required to successfully attack the safe.
  - (D) time spent attacking the safe during the tests performed.

37. A safe alarm that is relatively inexpensive in terms of cost and installation and suitable for high risk installations is a
- (A) thermo acoustic alarm system.
  - (B) wired cabinet alarm system.
  - (C) capacitance alarm system.
  - (D) high-low balanced circuit alarm system.
38. **Security vestibules** are
- (A) entranceways protected by time operated locks.
  - (B) holding areas where security personnel can scrutinize those seeking entry.
  - (C) foyers that are fitted with pressure mats.
  - (D) on-site stations from which security personnel can monitor a large building.
39. A combination lock fitted with a **spyproof** dial
- (A) is any lock fitted with a hood so that only the person dialing the combination can see the numbers.
  - (B) makes the lock resistant to radiological readings.
  - (C) has the numbers located around the edge of the dial.
  - (D) automatically relocks the original bolt work if the combination lock is punched or blown.
40. Safe burglary rates may be discounted for
- (A) armoured conveyances.
  - (B) approved tear gas systems.
  - (C) premises below grade floor level.
  - (D) risks open for business for eight hours daily.

(2 marks each = 80 marks)

## Section B: Narrative Questions

- Question 2. (a) Since most homeowners or tenants policies provide coverage for theft, explain why this residential crime coverage might be purchased. (10 marks)
- (b) List the FIVE (5) parts of the Insuring Agreement of the 3-D policy. (5 marks)
- (c) Under the 3-D policy, describe the differences between Form A and Form B coverage for employee dishonesty. (5 marks)

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- Question 3. (a) Describe the coverage provided for extortion by endorsement to the 3-D policy. (10 marks)
- (b) Summarize the coverage provided by financial institution bonds. In your answer, describe the reasons behind their use and how they are regulated. (10 marks)
- Question 4. (a) What purpose is served by a **computer fraud** endorsement on a 3-D policy? (5 marks)
- (b) Compare the coverage provided by the Money and Securities rider, (IBC Form #6005) and the Inside/Outside Robbery rider (IBC Form # 6003). (15 marks)
- Question 5. (a) What are the key considerations for an underwriter who has been asked to provide coverage for Safe Burglary? (10 marks)
- (b) Describe THREE (3) practices that a business owner may implement in order to prevent losses arising from inside robbery of money and securities. (10 marks)
- Question 6. (a) Describe the operation of the following devices designed to supplement perimeter alarm protection. Mention any advantages or disadvantages of their use.
- (i) Floor Trap (5 marks)
- (ii) Pressure Mat (5 marks)
- (b) Describe the following types of safe and differentiate between the relative levels of protection they provide for their contents. What Underwriters Laboratories of Canada labeling, if any, would be shown on such safes?
- (i) Class 1 safes (3 marks)
- (ii) Class 2 safes (3 marks)
- (iii) Class 4 safes (4 marks)

## Section C: Application Question

Question 7. You are a risk manager for a large retail hardware store that is open six days a week from 9:00 a.m. to 11:00 p.m. The store facility comprises 20,000 square metres of retail space, a 15,000 square metre warehouse stocked with merchandise, a lumberyard protected by chain link fencing and a small separate structure adjacent to the store from which equipment is rented to customers. The store is located in a commercial park in a high-crime area of a large city. Store receipts are kept in a fire-resistive safe during the day but are deposited after store closing, by a cashier into the bank's night depository. The store employs 150 full and part-time staff.

- (a) What factors will you consider in identifying the potential exposure of the store to crime risks ? (10 marks)
- (b) Identify the types of crime to which this store may be exposed. (10 marks)

