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If your property Insurance has Actual Cash Valuation (ACV) clause, your damaged property will be compensated based on:

- A. Value of item on the date of loss
- B. Replacement with a new item for the old one regardless of condition of lost item
- C. Value of item one month before the loss
- D. Value of item on the date of loss plus 10 percent

**Correct Answer: A**

**Explanation:**

This is called the Actual Cash Value (ACV) or Actual Cost Valuation (ACV)

All of the other answers were only detractors. Below you have an explanation of the different types of valuation you could use. It is VERY important for you to validate with your insurer which one applies to you as you could have some very surprising finding the day you have a disaster that takes place.

### Replacement Cost

Property replacement cost insurance promises to replace old with new. Generally, replacement of a building must be done on the same premises and used for the same purpose, using materials comparable to the quality of the materials in the damaged or destroyed property.

There are some other limitations to this promise. For example, the cost of repairs or replacement for buildings doesn't include the increased cost associated with building codes or other laws controlling how buildings must be built today. An endorsement adding coverage for the operation of Building Codes and the increased costs associated with complying with them is available separately -- usually for additional premium.

In addition, some insurance underwriters will only cover certain property on a depreciated value (actual cash value -- ACV) basis even when attached to the building. This includes awnings and floor coverings, appliances for refrigerating, ventilating, cooking, dishwashing, and laundering. Depreciated value also applies to outdoor equipment or furniture.

### Actual Cash Value (ACV)

The ACV is the default valuation clause for commercial property insurance. It is also known as depreciated value, but this is not the same as accounting depreciated value. The actual cash value is determined by first calculating the replacement value of the property. The next step involves estimating the amount to be subtracted, which reflects the building's age, wear, and tear.

This amount deducted from the replacement value is known as depreciation. The amount of depreciation is reduced by inflation (increased cost of replacing the property); regular maintenance; and repair (new roofs, new electrical systems, etc.) because these factors reduce the effective age of the buildings.

The amount of depreciation applicable is somewhat subjective and certainly subject to negotiation. In fact, there is often disagreement and a degree of uncertainty over the amount of depreciation applicable to a particular building.

Given this reality, property owners should not leave the determination of depreciation to chance or wait until suffering a property loss to be concerned about it. Every three to five years, property owners should obtain a professional appraisal of the replacement value and depreciated value of the buildings.

The ACV valuation is an option for directors to consider when certain buildings are in need of repair, or budget constraints prevent insuring all of your facilities on a replacement cost basis. There are other valuation options for property owners to consider as well.

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### **Functional Replacement Cost**

This valuation method has been available for some time but has not been widely used. It is beginning to show up on property insurance policies imposed by underwriters with concerns about older, buildings. It can also be used for buildings, which are functionally obsolete.

This method provides for the replacement of a building with similar property that performs the same function, using less costly material. The endorsement includes coverage for building codes automatically.

In the event of a loss, the insurance company pays the smallest of four payment options.

1. In the event of a total loss, the insurer could pay the limit of insurance on the building or the cost to replace the building on the same (or different) site with a payment that is "functionally equivalent."
2. In the event of a partial loss, the insurance company could pay the cost to repair or replace the damaged portion in the same architectural style with less costly material (if available).
3. The insurance company could also pay the amount actually spent to demolish the undamaged portion of the building and clear the site if necessary.
4. The fourth payment option is to pay the amount actually spent to repair, or replace the building using less costly materials, if available (Hillman and McCracken 1997).

Unlike the replacement cost valuation method, which excluded certain fixtures and personal property used to service the premises, this endorsement provides functional replacement cost coverage for these items (awnings, floor coverings, appliances, etc.) (Hillman and McCracken 1997).

As in the standard replacement cost value option, the insured can elect not to repair or replace the property. Under these circumstances the company pays the smallest of the following:

1. The Limit of Liability
2. The "market value" (not including the value of the land) at the time of the loss. The endorsement defines "market value" as the price which the property might be expected to realize if offered for sale in fair market.
3. A modified form of ACV (the amount to repair or replace on the same site with less costly material and in the same architectural style, less depreciation) (Hillman and McCracken 1997).

### **Agreed Value or Agreed Amount**

Agreed value or agreed amount is not a valuation method. Instead, this term refers to a waiver of the coinsurance clause in the property insurance policy. Availability of this coverage feature varies among insurers but, it is usually available only when the underwriter has proof (an independent appraisal, or compliance with an insurance company valuation model) of the value of your property.

When do I get paid?

Generally, the insurance company will not pay a replacement cost settlement until the property that was damaged or destroyed is actually repaired or replaced as soon as reasonably possible after the loss.

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Under no circumstances will the insurance company pay more than your limit of insurance or more than the actual amount you spend to repair or replace the damaged property if this amount is less than the limit of insurance.

Replacement cost insurance terms give the insured the option of settling the loss on an ACV basis. This option may be exercised if you don't plan to replace the building or if you are faced with a significant coinsurance penalty on a replacement cost settlement.

References:

<http://www.schirickinsurance.com/resources/value2005.pdf>

TIPTON, Harold F.& KRAUSE, MICKI Information Security Management Handbook, 4th Edition, Volume 1 Property Insurance overview, Page 587.

### **QUESTION 581**

How should a risk be HANDLED when the cost of the countermeasure OUTWEIGHS the cost of the risk?

- A. Reject the risk
- B. Perform another risk analysis
- C. Accept the risk
- D. Reduce the risk

**Correct Answer: C**

**Explanation:**

Which means the company understands the level of risk it is faced.

The following answers are incorrect because:

Reject the risk is incorrect as it means ignoring the risk which is dangerous.

Perform another risk analysis is also incorrect as the existing risk analysis has already shown the results.

Reduce the risk is incorrect is applicable after implementing the countermeasures.

Reference:

Shon Harris AIO v3 , Chapter-3: Security Management Practices , Page: 39

### **QUESTION 582**

Business Continuity and Disaster Recovery Planning (Primarily) addresses the:

- A. Availability of the CIA triad
- B. Confidentiality of the CIA triad
- C. Integrity of the CIA triad
- D. Availability, Confidentiality and Integrity of the CIA triad

**Correct Answer: A**

**Explanation:**

The Information Technology (IT) department plays a very important role in identifying and protecting the company's internal and external information dependencies. Also, the information technology elements of the BCP should address several vital issue, including:

Ensuring that the company employs sufficient physical security mechanisms to preserve vital network and hardware components. including file and print servers. Ensuring that the organization uses sufficient logical security methodologies (authentication, authorization, etc.) for

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sensitive data.

Reference:

KRUTZ, Ronald L. & VINES, Russel D., The CISSP Prep Guide: Mastering the Ten Domains of Computer Security, John Wiley & Sons, 2001, page 279.

**QUESTION 583**

What is the Maximum Tolerable Downtime (MTD)?

- A. Maximum elapsed time required to complete recovery of application data
- B. Minimum elapsed time required to complete recovery of application data
- C. Maximum elapsed time required to move back to primary site after a major disruption
- D. It is maximum delay businesses can tolerate and still remain viable

**Correct Answer: D**

**Explanation:**

The Maximum Tolerable Downtime (MTD) is the maximum length of time a BUSINESS FUNCTION can endure without being restored, beyond which the BUSINESS is no longer viable

NIST SAYS:

The ISCP Coordinator should analyze the supported mission/business processes and with the process owners, leadership and business managers determine the acceptable downtime if a given process or specific system data were disrupted or otherwise unavailable. Downtime can be identified in several ways.

Maximum Tolerable Downtime (MTD). The MTD represents the total amount of time the system owner/authorizing official is willing to accept for a mission/business process outage or disruption and includes all impact considerations. Determining MTD is important because it could leave contingency planners with imprecise direction on selection of an appropriate recovery method, and the depth of detail which will be required when developing recovery procedures, including their scope and content.

Other BCP and DRP terms you must be familiar with are:

Recovery Time Objective (RTO). RTO defines the maximum amount of time that a system resource can remain unavailable before there is an unacceptable impact on other system resources, supported mission/business processes, and the MTD. Determining the information system resource RTO is important for selecting appropriate technologies that are best suited for meeting the MTD. When it is not feasible to immediately meet the RTO and the MTD is inflexible, a Plan of Action and Milestone should be initiated to document the situation and plan for its mitigation.

Recovery Point Objective (RPO). The RPO represents the point in time, prior to a disruption or system outage, to which mission/business process data can be recovered (given the most recent backup copy of the data) after an outage. Unlike RTO, RPO is not considered as part of MTD. Rather, it is a factor of how much data loss the mission/business process can tolerate during the recovery process. Because the RTO must ensure that the MTD is not exceeded, the RTO must normally be shorter than the MTD. For example, a system outage may prevent a particular process from being completed, and because it takes time to reprocess the data, that additional processing time must be added to the RTO to stay within the time limit established by the MTD.

References used for this question:

KRUTZ, Ronald L. & VINES, Russel D., The CISSP Prep Guide: Mastering the Ten Domains of

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Computer Security, John Wiley & Sons, 2001, Page 276.

[http://csrc.nist.gov/publications/nistpubs/800-34-rev1/sp800-34-rev1\\_errata-Nov11-2010.pdf](http://csrc.nist.gov/publications/nistpubs/800-34-rev1/sp800-34-rev1_errata-Nov11-2010.pdf)

**QUESTION 584**

Which element must computer evidence have to be admissible in court?

- A. It must be relevant.
- B. It must be annotated.
- C. It must be printed.
- D. It must contain source code.

**Correct Answer: A**

**Explanation:**

Source: TIPTON, Hal, (ISC)2, Introduction to the CISSP Exam presentation.

**QUESTION 585**

Which of the following best defines a Computer Security Incident Response Team (CSIRT)?

- A. An organization that provides a secure channel for receiving reports about suspected security incidents.
- B. An organization that ensures that security incidents are reported to the authorities.
- C. An organization that coordinates and supports the response to security incidents.
- D. An organization that disseminates incident-related information to its constituency and other involved parties.

**Correct Answer: C**

**Explanation:**

RFC 2828 (Internet Security Glossary) defines a Computer Security Incident Response Team (CSIRT) as an organization that coordinates and supports the response to security incidents that involves sites within a defined constituency. This is the proper definition for the CSIRT. To be considered a CSIRT, an organization must provide a secure channel for receiving reports about suspected security incidents, provide assistance to members of its constituency in handling the incidents and disseminate incident-related information to its constituency and other involved parties. Security-related incidents do not necessarily have to be reported to the authorities.

Source: SHIREY, Robert W., RFC2828: Internet Security Glossary, may 2000.

**QUESTION 586**

The criteria for evaluating the legal requirements for implementing safeguards is to evaluate the cost (C) of instituting the protection versus the estimated loss (L) resulting from the exploitation of the corresponding vulnerability. Therefore, a legal liability may exist when:

- A.  $(C < L)$  or C is less than L
- B.  $(C < L - (\text{residual risk}))$  or C is less than L minus residual risk
- C.  $(C > L)$  or C is greater than L
- D.  $(C > L - (\text{residual risk}))$  or C is greater than L minus residual risk

**Correct Answer: A**

**Explanation:**

If the cost is lower than the estimated loss ( $C < L$ ), then legal liability may exist if you fail to implement the proper safeguards.

Government laws and regulations require companies to employ reasonable security measures to

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