

P67

Diploma in insurance

Unit P67 – Fundamentals of risk management

April 2015 examination

Instructions

- Three hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper, but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- The answer book and this question paper must **both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**

Unit P67 – Fundamentals of risk management

Instructions to candidates

Read the instructions below before answering any questions

- **Three hours** are allowed for this paper which carries a total of 200 marks, as follows:

Part I	14 compulsory questions	140 marks
Part II	2 questions selected from 3	60 marks

- You should answer **all** questions in Part I and two out of the three questions in Part II.
- You are advised to spend no more than two hours on Part I.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.
- It is important to show each step in any calculation, even if you have used a calculator.
- If you bring a calculator into the examination room, it must be a silent, battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.
- Answer each question on a new page. If a question has more than one part, leave six lines blank after each part.

PART I

Answer ALL questions in Part I

Note form is acceptable where this conveys all the necessary information

1. (a) Explain briefly risk maturity in the context of risk management. (3)
(b) State **five** levels of maturity that an organisation could use, providing an example of an observable feature at **each** level. (10)
2. (a) Define the meaning of the term 'stakeholder' in relation to risk management. (2)
(b) State **four** types of stakeholder, providing an example of the risks that might arise from the interests of **each** type. (8)
3. Explain the **three** options available to an organisation when setting out to control an unacceptable risk. (12)
4. Describe briefly **three** high profile public loss events, stating a risk management lesson that was learnt from **each** event. (12)
5. Explain the types of risk information that an organisation should consider when proposing strategic and operational decisions about its future growth. (10)
6. Describe briefly the following risk standards:
 - (a) ISO31000. (4)
 - (b) FERMA 2003. (4)
 - (c) AIRMIC, Alarm, IRM: 2010. (4)

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7. (a) Explain briefly the concept of a risk register and its use. (6)
- (b) List **four** facilities that a web based risk register might provide. (4)
8. Outline **two** types of alternative risk transfer used by organisations to enable the transfer of financial risk. (8)
9. (a) Outline **five** of the preliminary steps taken by risk professionals when considering risk financing options for an organisation. (5)
- (b) Identify **five** other cost factors that need to be considered in relation to risk financing. (5)
10. Explain briefly **three** advantages and **three** disadvantages of transferring risks into the traditional insurance market. (12)
11. (a) State the **four** cost categories that organisations need to consider when assessing potential financial costs of damaging risk incidents. (4)
- (b) Outline how **each** cost category might affect an organisation. (4)
12. Outline **three** types of risk transfer by contract, providing an example of **each**. (9)
13. (a) Explain briefly why risk perception is important in risk management. (2)
- (b) Describe briefly **three** issues associated with risk perception. (6)
14. Explain the differences between credit risk and liquidity risk, providing an example of **each** risk. (6)

QUESTIONS CONTINUE OVER THE PAGE

PART II

**Answer TWO of the following THREE questions
Each question is worth 30 marks**

- 15. (a)** Explain the roles and responsibilities in relation to risk management for the following:
- (i)** The Board. **(7)**
 - (ii)** The Chief Risk Officer. **(7)**
 - (iii)** The Risk Manager. **(7)**
- (b)** Explain Solvency II and its function within risk management. **(9)**
- 16.** You are the newly appointed Risk Manager within an organisation and have noted that there is no written risk management philosophy or statement in place.
- Advise the Board of the advantages of adopting a risk document, describing the elements that should be referenced within it. **(30)**
- 17.** Describe the concepts and ideas that developed from the seventeenth to the twentieth century which influenced the evolution of current risk management practice. **(30)**

