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Advanced Diploma in Insurance

Unit 655 – Risk management

April 2013 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 655 – 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 160 marks, as follows:

Part I	1 compulsory question (case study)	80 marks
Part II	2 questions selected from 3 (scenarios)	80 marks
- You should answer the question in Part I, and two out of the three questions in Part II.
- **You are advised to spend no more than 90 minutes on Part I and 45 minutes on each question selected in Part II.**
- **It is recommended that you spend 15 minutes reading and planning your answer to the case study and 75 minutes answering it, and that you spend 10 minutes reading and planning your answer to each scenario and 35 minutes answering it.**
- A case study tests extensively across syllabus learning outcomes, whilst a scenario will be more focused on specific learning outcomes.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- 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.
- Answer each question on a new page. If a question has more than one part, leave six lines blank after each part.

PART I**Case study****This question is worth 80 marks**

To gain maximum marks you should include relevant examples and evidence of further reading in your answer

1. Case study

DTR Food Ltd (DTR) is a well established organisation that has seen rapid growth in the last two years primarily due to its ongoing acquisition of many smaller specialist quality food production firms. These companies have been allowed to continue operating within their own governance and policy structure. However, following a serious food contamination issue at a recently acquired firm, it has come to light that there are inconsistencies in some of the subsidiaries in terms of risk management.

The Board of DTR has recognised the importance of risk management across the organisation and in particular, the need to build a consistent risk management approach to assist in the management of threats to the business.

The Board has decided to appoint a group risk manager with a team, to gather information and formulate the risk management philosophy.

Question

As the Group Risk Manager you have been asked to write a report to the Board. This report should contain the following.

- An assessment of how to build a consistent risk aware culture across the organisation.
- An evaluation of the relationship between risk and ownership of risk within the organisation.
- A risk management policy statement, justifying the elements that are required for an effective approach to risk management.

(80)

PART II**Scenarios****Answer TWO of the following THREE questions****Each question is worth 40 marks**

To gain maximum marks you should include relevant examples and evidence of further reading in your answer

2. Scenario

XSS is a retailer with a chain of high street department stores across the UK, selling products which are obtained from a wide range of suppliers around the world. There is a high turnover of products due to demand.

Recently, XSS have identified that there has been a substantial increase in the number of liability incidents being reported to their insurers. The company needs to review the reasons why there has been an increase and to identify any trends before the liability insurers take action at next renewal.

Question

Write a report examining:

- the types of liability risks that the retailer may be experiencing;
- appropriate physical and financial risk controls to reduce risk exposure.

(40)**3. Scenario**

You are the Risk Manager for a UK based company manufacturing household cleaning products that has recently relocated their factory and offices to a rural area, adjacent to an environmentally sensitive site.

The company needs to be made aware of the statutory duties placed upon it and how the location of the premises can affect the potential for third party injury and property damage as well as long-term and potentially permanent damage.

Question

Examine, in a report to the Board:

- the statutory environmental requirements placed upon the company;
- an appropriate environmental management system.

(40)**4. Scenario**

HPC Motors (HPC) is a UK based specialist car manufacturer who relies on various suppliers worldwide for parts and materials required in the assembly of its high quality vehicles. They have recognised the need to address the issue of supply chain risk management and the factors which could potentially interrupt the business or affect its survival.

Question

As HPC's risk manager, prepare a presentation:

- reviewing potential risks that could affect the supply chain of HPC and illustrate these with a risk model;
- analysing how the supply chain should be co-ordinated and managed with emphasis on supply chain failures.

(40)

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