

# 655

## Advanced Diploma in Insurance

### Unit 655 – Risk management

October 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**

A major airport, serving a capital city, has experienced an increase in passenger and cargo air traffic over the last five years and is nearing maximum capacity. The airport cannot adapt to accommodate the increased traffic so a new airport must be constructed to meet demand.

You are the Project Risk Manager employed by a specialist airport construction firm that has been awarded the contract to design and build the new airport. It has been established that the airport is to be located in a rural area outside of the capital city. New transport links will be required to link it to the city and to existing major road and rail networks. To meet demand, the project will be completed in stages meaning that parts of the new airport will be operational, whilst further construction continues.

The new airport will involve a large number of facilities, such as passenger handling, baggage handling, ground handling of aircraft and cargo, as well as airport transport services, parking, duty free, check in facilities and runway maintenance.

**Question**

As the Project Risk Manager, you have been asked to write a report to the airport operator on the following:

- Identification of the risks that may arise in undertaking the design and construction of the new airport and an explanation of how you arrived at your findings.
- Analysis of how these risks will be managed and the controlling techniques that should be implemented.
- Explanation of how risks will be monitored and reviewed as they emerge across the duration of the project and the methods that will be used to communicate your conclusions.

**(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**

RPK are a large long established company well known for manufacturing audio visual goods such as televisions, radios, CD and DVD players. The Board of RPK has identified that, in the light of consumer demand, the company should consider moving into the manufacture and development of modern technology products, for example computer tablets, netbooks and smartphones.

Before embarking on a new product line of this nature, the Board have asked their risk management team to report on the associated risks to the business.

**Question**

As the Risk Manager, prepare a report, analysing the market and product risks, with emphasis on the importance of research and development, quality control, as well as the risks that could arise within the supply chain.

**(40)**

**3. Scenario**

CFV are a large manufacturer of canned fruit and vegetable products, with operations throughout the country that includes warehousing, a canning plant, a distribution centre and a Head Office.

In the last five years, there has been a marked increase in the number of insurance claims made by CFV for various incidents. These include: damage to buildings, machinery and equipment; fork lift trucks being damaged in accidents when lifting and handling goods; theft of office contents, business equipment and stock; as well as injuries to visitors and employees. As a result, CFV's current property and liability insurers have increased their renewal premiums considerably.

**Question**

As CFV's Group Risk and Insurance Manager, you have been asked to prepare a report for the Board evaluating ways in which risk incidents might be controlled and the alternatives to the traditional insurance market.

**(40)**

**4. Scenario**

You are the recently appointed Risk Manager of a hospital and you are concerned that it does not currently have a business continuity programme (BCP). You believe that there are certain risks associated with the hospital that could have an impact on its survival or its continued efficient running of operations should a crisis occur.

**Question**

Prepare a report for the hospital management team, analysing the types of risks that could significantly impact on the hospital and your reasons why forward planning with a BCP would benefit the organisation.

**(40)**

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