

P67

Diploma in Insurance

Unit P67 – Fundamentals of risk management

April 2016 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. Define 'regulatory risks' and 'legal risks' and provide an example of **each**. (8)

2. (a) Explain control self assessment (CSA) and how it is used. (6)
(b) Outline **five** advantages of incorporating CSA within an organisation. (5)

3. (a) Define the term risk management. (2)
(b) Describe briefly **four** benefits of risk management. (8)

4. (a) Identify the **three** regulatory bodies between which the Financial Services Act 2012 split the regulatory responsibilities previously held by the Financial Services Authority. (3)
(b) State the key responsibility of **each** of these regulatory bodies. (9)

5. (a) Explain risk maturity and its importance to an organisation. (7)
(b) List the **four** levels of maturity within the model known as the 4Ns. (4)

6. When reviewing an insurance programme and its retained exposure:
(a) outline **four** reasons why an organisation may proactively choose a higher level of retention; (8)
(b) list **four** other influences on retention which a company may have to take into account. (4)

7. (a) Explain the purpose of a risk register. (8)
- (b) Identify **four** potential difficulties that should be recognised in its utilisation within an organisation. (4)
8. Outline the threats and opportunities brought about by the use of new information and communication technology. (9)
9. Outline the 'off balance sheet' assets that an organisation needs to protect. (8)
10. (a) Explain the aims of business continuity management. (7)
- (b) Describe briefly the **role** of ISO 22301 in the business continuity management process. (6)
11. Explain the potential challenges involved in implementing a risk categorisation approach. (9)
12. Identify and describe briefly the **two** main forms of reinsurance. (6)
13. Describe how different large organisations might structure their risk management function. (9)
14. (a) Outline the reasons why risk management systems can fail. (5)
- (b) State **five** key findings and recommendations that were documented and implemented following the fire at King's Cross underground station in London in November 1987. (5)

QUESTIONS CONTINUE OVER THE PAGE

PART II

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

- 15.** As the Risk Manager of a company that relies on raw materials supplied from manufacturers both domestic and overseas to manufacture their products, you are concerned about the risks within the supply chain.
- (a)** Explain the purpose of fault trees and their advantages in the risk identification process. **(15)**
 - (b)** Describe the supply chain issues that a fault tree might illustrate. **(10)**
 - (c)** Outline the risk controls that might be put in place to prevent supply chain risks. **(5)**
- 16.** A large international broking firm, aside from its traditional broking role, has a highly skilled risk management department and is able to provide assistance to their clients with other services.
- (a)** Describe the various types of technical services that they are able to offer. **(20)**
 - (b)** Explain the types of client information that the brokers would benefit from in order to provide appropriate assistance, guidance and advice. **(10)**
- 17.** You are the Risk Manager within an organisation that is considering extending its operations beyond its base in the UK into other countries.
- Discuss the global risks that may have an impact on the organisation in setting up new overseas operations. **(30)**

