



Chartered  
Insurance  
Institute

# I11

## Certificate in Insurance

### Unit 11 – Introduction to risk management

Based on the 2021 syllabus  
examined from 1 January 2021 until 31 December 2021

# Unit 11 – Introduction to risk management

Based on the 2020 syllabus examined from 1 January 2021 until 31 December 2021

## Contents

Introduction to Examination Guide	3
I11 Syllabus	7
Specimen Examination	10
Specimen Examination Answers and Learning Outcomes Covered	23

---

### Published in October 2020 by:

The Chartered Insurance Institute

Telephone: 020 8989 8464

Email: [customer.serv@cii.co.uk](mailto:customer.serv@cii.co.uk)

Copyright © 2020 The Chartered Insurance Institute. All rights reserved.

# Unit 11 – Introduction to risk management

Based on the 2021 syllabus examined from 1 January 2021 until 31 December 2021

## Introduction

This examination guide has been produced by the Examinations Department at the Chartered Insurance Institute to assist students in their preparation for the I11 examination. It contains a specimen examination with answer key.

Ideally, students should have completed the majority of their studies before attempting the specimen examination. Students should allow themselves two hours to complete the examination. They should then review their performance to identify areas of weakness on which to concentrate the remainder of their study time.

Although the specimen examination in this guide is typical of an I11 examination, it should be noted that it is not possible to test every single aspect of the syllabus in any one particular examination. To prepare properly for the examination, candidates should make full use of the tuition options available and read as widely as possible to ensure that the whole syllabus has been covered. They should also endeavour to keep as up-to-date as possible with developments in the industry by reading the periodicals listed in the I11 reading list, which is located on the syllabus in this examination guide and on the CII website at [www.cii.co.uk](http://www.cii.co.uk).

## Background Information

CII examination questions undergo a rigorous writing and editing process before reaching an examination. The questions are written to strict guidelines by practitioners with relevant technical knowledge and experience. Questions are very carefully worded to ensure that all the information required to answer the question is provided in a clear and concise manner. They are then edited by an independent panel of experienced practitioners who have been specifically trained to ensure that questions are technically correct, clear and unambiguous. As a final check, each examination is scrutinised by the Senior Examiner and a CII assessment expert.

Occasionally a question will require amendment after the examination guide is first published. In such an event, the revised question will be published on the CII website:

- 1) Visit [www.cii.co.uk/learning/qualifications/unit-introduction-to-risk-management-i11/](http://www.cii.co.uk/learning/qualifications/unit-introduction-to-risk-management-i11/)
- 2) Select 'exam guide update' on the right-hand side of the page

Candidates should also refer here for the latest information on changes to law and practice and when they will be examined.

## Syllabus

The I11 syllabus is published on the CII website at [www.cii.co.uk](http://www.cii.co.uk). **Candidates should note that the examination is based on the syllabus, rather than on any particular tuition material.** Of course, the CII tuition material will provide the vast majority of the information required to perform well in the examination, but the CII recommends that students consult other reference materials to supplement their studies.

## Skill Specification

The skill level tested in each examination question is determined by the syllabus. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested. Learning outcomes for I11 begin with *understand*.

*Understand* To answer questions based on understanding, the candidate must be able to link pieces of information together in cause-and-effect relationships. Typically questions may ask 'Why'. Questions set on an *understand* learning outcome can test either knowledge or understanding or both.

## Examination Information

The method of assessment for the I11 examination is 75 multiple choice questions. 2 hours are allowed for this examination.

The I11 syllabus provided in this examination guide will be examined from 1 January 2021 until 31 December 2021.

Candidates will be examined on the basis of English law and practice unless otherwise stated.

The general rule is that legislative and industry changes will not be examined earlier than 3 months after they come into effect.

A multiple choice question consists of a problem followed by four options, labelled A, B, C and D, from which the candidate is asked to choose the correct response. Each question will contain only one correct response to the problem posed.

One mark is awarded for each correct response identified by the candidate. No mark is awarded if the candidate either chooses an incorrect response, chooses more than one response or fails to choose any response. No marks are deducted for candidates choosing an incorrect response.

While no questions involve complex calculations, candidates are permitted to use calculators during the examination. 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.

Candidates are permitted to make rough notes. Candidates are **not** permitted, in any circumstances, to remove any papers relating to the examination from the examination room.

## Examination Technique: Multiple Choice Questions

The best approach to multiple choice examinations is to work methodically through the questions.

The questions are worded very carefully to ensure that all the information required is presented in a concise and clear manner. It cannot be emphasised too strongly that understanding the precise meaning of the question is vital. If candidates miss a crucial point when reading the question it could result in choosing the wrong option. Candidates should read carefully through the question and all the options before attempting to answer.

Candidates should pay particular attention to any words in the question which are emphasised in bold type, for example, **maximum**, **minimum**, **main**, **most**, **normally** and **usually**. Negative wording is further emphasised by the use of capital letters, for example **NOT**, **CANNOT**.

Candidates should not spend too much time on any one question. If they cannot make up their mind, they should leave the question and come back to it later.

When all of the questions have been answered, it is prudent to use any remaining time to go through each question again, carefully, to double-check that nothing has been missed. Altering just one incorrect response to a correct response could make the difference between passing and failing.

## After the Examination

Rigorous checks are made to ensure the correctness of the results issued. A pre-defined quota of passes to be awarded does not exist. If all candidates achieve a score of at least the pass mark, then all candidates will be awarded a pass grade. Individual feedback on the candidate's examination performance is automatically provided and will indicate the result achieved and, for each syllabus learning outcome, the percentage of questions in the examination that were answered correctly.

# Introduction to risk management

## Objective

To provide knowledge and understanding of the basic elements of risk and the role of insurance within these principles.

Summary of learning outcomes	Number of questions in the examination
1. Understand the concept of risk.	21
2. Understand how risk can be identified and analysed.	12
3. Understand how risk can be evaluated.	10
4. Understand how risk can be treated.	16
5. Understand how risk is managed in practice.	12
6. Understand business continuity management.	4

## Important notes

- Method of assessment: 75 multiple choice questions (MCQs). 2 hours are allowed for this examination
- This syllabus will be examined from 1 January 2021 to 31 December 2021.
- The syllabus is examined on English law and practice unless otherwise stated
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
  1. Visit [www.cii.co.uk/qualifications](http://www.cii.co.uk/qualifications)
  2. Select the appropriate qualification
  3. Select your unit from the list provided
  4. Select qualification update on the right hand side of the page

## 1. Understand the concept of risk.

- 1.1 Describe risk and its main components.
- 1.2 Explain the role of risk in society.
- 1.3 Describe risk perception.
- 1.4 Describe the effects of risk upon organisations.
- 1.5 Describe the main types of risk.
- 1.6 Describe the main categories of risk faced by an organisation.
- 1.7 Describe the main risks specific to insurance companies.

## 2. Understand how risk can be identified and analysed.

- 2.1 Describe risk information.
- 2.2 Describe the main techniques of risk identification.
- 2.3 Describe the main methods of collecting risk information.
- 2.4 Describe the main factors in risk analysis.

## 3. Understand how risk can be evaluated.

- 3.1 Describe how risk can be evaluated.
- 3.2 Describe the main evaluation factors.
- 3.3 Describe the use of risk registers.

## 4. Understand how risk can be treated.

- 4.1 Describe the main ways in which risk can be treated.
- 4.2 Describe the main types of risk control.
- 4.3 Describe how and why risk may be spread.
- 4.4 Describe the use of insurance in risk transfer.
- 4.5 Describe the other main types of risk transfer mechanism.
- 4.6 Describe how and why risk may be retained.

## 5. Understand how risk is managed in practice.

- 5.1 Describe the main risk management roles and responsibilities.
- 5.2 Describe the generic risk management process and the role of enterprise risk management (ERM).
- 5.3 Describe the risk management factors unique to insurance brokers.
- 5.4 Describe the main function of risk management service providers.

## 6. Understand business continuity management.

- 6.1 Describe the role of and standard approach to business continuity management (BCM).
- 6.2 Describe the main elements of the BCM process.

## Reading list

The following list provides details of further reading which may assist you with your studies.

**Note: The examination will test the syllabus alone.**

The reading list is provided for guidance only and is not in itself the subject of the examination.

The resources listed here will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

### CII study texts

Introduction to risk management. London: CII. Study text I11.

### Books (and ebooks)

Handbook of insurance. Georges Dionne. New York: Springer, 2013.\*

Handbook of the economics of risk and uncertainty. Mark Machina, W. Kip Viscusi. North Hollans, 2014.\*

Introduction to risk management and insurance. 10th ed. Mark S Dorfman, David A Cather. Upper Saddle River, New Jersey: Pearson Prentice Hall, 2013.

Principles of risk management and insurance. 12th ed. George E. Rejda, Michael J. McNamara. Pearson Education, 2014.

### eBooks

The following ebooks are available through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (CII/PFS members only):

A short guide to operational risk. David Tattam. Gower, 2011.

Enterprise risk management: a common framework for the entire organisation. Philip E.J. Green. Oxford: Butterworth-Heinemann, 2016.

Enterprise risk management: from incentives to controls. James Lam. 2nd ed. Hoboken: Wiley, 2013.

Ethics and risk management. Lina Svedin. Charlotte, NC: Information Age Publishing, 2015.

Fundamentals of risk management: understanding, evaluating and implementing effective risk management. Paul Hopkin, Kogan Page, 2014.

\* Also available as an ebook through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (CII/PFS members only).



Fundamentals of enterprise risk management: how top companies assess risk, manage exposure and seize opportunity. John J. Hampton. New York: American Management Association, 2015.

Principles of risk analysis: decision making under uncertainty. Charles E. Yoe. Boca Raton, Florida: CRC Press, 2012.

### Factfiles and other online resources

CII fact files are concise, easy to digest but technically dense resources designed to enrich the knowledge of members. Written by subject experts and practitioners, the fact files cover key industry topics as well as less familiar or specialist areas of general insurance, life, and pensions and financial services, with information drawn together in a way not readily available elsewhere. Available online via [www.cii.co.uk/ciifactfiles](http://www.cii.co.uk/ciifactfiles) (CII/PFS members only).

The Insurance Institute of London (IIL) podcast lecture series features leading industry figures and subject experts speaking on current issues and trends impacting insurance and financial services. Available online at <https://www.cii.co.uk/insurance-institute-of-london/> (CII/PFS members only).

Efficiency tactics within the insurance industry. Ian Searle.

An examination of factors leading to a “hard” or “soft” insurance market. Ian Searle.

Risk control. Ian Searle.

Risk identification. Ian Searle.

Risk quantification. Ian Searle.

Role of insurance professionals in the risk management sector. Ian Searle.

Institute of Risk Management  
[www.theirm.org](http://www.theirm.org).

### Journals and magazines

Financial times. London: Financial Times. Daily. Available online at [www.ft.com](http://www.ft.com).

Post magazine. London: Incisive Financial Publishing. Monthly. Contents searchable online at [www.postonline.co.uk](http://www.postonline.co.uk).

The Journal. London: CII. Six issues a year. Archive available online at <https://www.thepfs.org/search-results/?q=the+journal> (CII/PFS members only).

Access to further periodical publications is available from the Knowledge website at [www.cii.co.uk/journalmagazines](http://www.cii.co.uk/journalmagazines)

(CII/PFS members only).

### Reference materials

Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010.\*

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004.

### Examination guide

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate ([www.revisionmate.com](http://www.revisionmate.com)). Details of how to access Revisionmate are on the first page of your study text.

It is recommended that you only study from the most recent version of the examination guide.

### Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

The Insurance Institute of London holds a lecture on revision techniques for CII exams approximately three times a year. The slides from their most recent lectures can be found at [www.cii.co.uk/iilrevision](http://www.cii.co.uk/iilrevision) (CII/PFS members only).

1. A **key** benefit of embedding an organisation's risk register in a controlled environment is
  - A. an automatic reduction in future risk events.
  - B. the strengthening of risk management culture.
  - C. an improved credit rating.
  - D. an increase in deductibles under all insurance policies.
  
2. A **key** difference between the effect of a fundamental risk and a particular risk is its
  - A. controllability.
  - B. locality.
  - C. moral hazard.
  - D. policy excess.
  
3. The increased globalisation of risk has resulted in what wider change in society's view of risk?
  - A. An acceptance of risk regardless of the cause.
  - B. A belief that all risks can always be insured.
  - C. An increase in risk appetite.
  - D. An increase in risk aversion.
  
4. In respect of risk management, the two **main** components of risk are
  - A. frequency and certainty.
  - B. frequency and severity.
  - C. probability and loss.
  - D. severity and loss.
  
5. Dishonesty by an individual when applying for insurance represents which component of risk?
  - A. Moral hazard.
  - B. Physical hazard.
  - C. Insured peril.
  - D. Uninsured peril.
  
6. A **key** role of the UK Health and Safety Executive is to
  - A. generate revenue for HM Treasury from the imposition of fines.
  - B. provide claims settlement advice to commercial insurers.
  - C. provide guidance to businesses on workplace risk issues.
  - D. resolve workplace disputes between employees and employers.
  
7. The UK Government seeks to maintain stability in financial markets through the use of which mechanism?
  - A. Command economics.
  - B. Early intervention.
  - C. Regulation.
  - D. Taxation.

8. In respect of risk perception, under the concept of expected benefits an individual is
- A. less likely to accept a risk where the benefits are shared fairly.
  - B. less likely to accept a risk where they are the sole beneficiary.
  - C. more likely to accept a risk where the benefits are shared fairly.
  - D. more likely to accept a risk where they are the sole beneficiary.
9. As part of risk perception, an individual will be **most likely** to accept a risk if he has
- A. chosen it himself.
  - B. had it imposed upon him.
  - C. no confidence in his ability to control it.
  - D. suffered a loss from a similar previous risk.
10. The anchoring effect is **most likely** to produce what result in an individual's risk management process?
- A. Increased risk tolerance.
  - B. Reduced risk tolerance.
  - C. Good decision making.
  - D. Poor decision making.
11. A distribution company halves the deductible under its property insurance policy. This represents
- A. a corrective risk control.
  - B. a decrease in risk tolerance.
  - C. a detective risk control.
  - D. an increase in risk tolerance.
12. A fully-laden heavy goods vehicle is blown over as a result of high winds during a storm. This is an example of which **main** risk?
- A. Business.
  - B. Fundamental.
  - C. Particular.
  - D. Pure.
13. A **main** factor that determines the level of risk tolerance an insurer is prepared to take is the
- A. capacity of the insurer to achieve its objectives.
  - B. capital needed if claims are higher than expected.
  - C. desire to take on larger risks.
  - D. profit available to spend on attracting new business.

14. From a risk management perspective, how does an organisation with a mature risk culture view uncertainty?
- A. It can be eliminated through effective controls.
  - B. It can be fully transferred through insurance.
  - C. It cannot be fully avoided.
  - D. It must always be fully retained.
15. In respect of risk management from an individual's perspective, a pure risk is one where the best outcome is
- A. no change in the situation.
  - B. the high probability of a gain.
  - C. the high probability of a loss.
  - D. the equal probability of a gain and a loss.
16. An engineering company is making a commercial decision that will affect its long-term objectives. This decision relates to which **main** type of risk?
- A. Business.
  - B. Operational.
  - C. Speculative.
  - D. Strategic.
17. A manufacturing business is bidding for a significant new contract that operates on 180 days' payment terms, compared to the business' usual contracts that operate on 60 days' terms. The exposure to what **main** type of risk would be increased?
- A. Liquidity.
  - B. Market.
  - C. Operational.
  - D. Regulatory.
18. An insurer inadvertently provides wider cover under a property policy than was intended. This is an example of
- A. aggregation risk.
  - B. increased risk appetite.
  - C. credit risk.
  - D. underwriting risk.
19. An insurer adopts an objective risk management approach to underwriting. This means that it will **typically** assess a
- A. large number of homogeneous risks.
  - B. large number of heterogeneous risks.
  - C. small number of identical risks.
  - D. small number of diverse risks.

20. From an insurer's perspective, a fundamental risk is **generally** considered to be
- A. homogeneous.
  - B. predictable.
  - C. profitable.
  - D. uninsurable.
21. The increased use of robotics in the workplace is creating an emerging long-term issue for employees in which **main** area of risk?
- A. Fundamental.
  - B. Operational.
  - C. Political.
  - D. Societal.
22. When purchasing insurance, individuals can be prone to act irrationally as a result of their risk
- A. appetite.
  - B. elimination.
  - C. perception.
  - D. tolerance.
23. An organisation with a strong risk appetite would **most likely** be categorised as being risk
- A. averse.
  - B. avoiding.
  - C. immune.
  - D. seeking.
24. A company is assessing risk at the residual level. This is **likely** to indicate that
- A. the company does not make use of a risk register.
  - B. the company has a mature risk culture.
  - C. risk controls are in place.
  - D. senior management has delegated risk to a third party organisation.
25. Where a company works in reverse to identify the origin of a risk, it will **most commonly** make use of which technique?
- A. Brainstorming and workshops.
  - B. Internal audit.
  - C. Risk mapping.
  - D. Root cause analysis.

26. A company has identified that there is upside risk present in one of its proposed activities. As a consequence, the company should be aware that
- A. a pure risk will also be in evidence.
  - B. regulatory costs will increase.
  - C. a revised risk register must be produced.
  - D. there will be a potential for profit.
27. A **key** benefit of an insurance company categorising the risks it faces is that
- A. it will benefit from reduced reputational risk.
  - B. long-tail exposures will often be eliminated.
  - C. the need for financial reserving will reduce.
  - D. risk decisions among senior managers should improve.
28. A large manufacturing company regularly gathers data during its sales process. From a risk perspective, this data is known as the company's risk
- A. appetite.
  - B. information.
  - C. premium.
  - D. tolerance.
29. Within a large organisation, with what **minimum** frequency, if any, **must** a risk identification exercise be performed?
- A. Weekly.
  - B. Monthly.
  - C. Annually.
  - D. There is no minimum frequency.
30. Which risk identification technique is **most likely** to assist a company in analysing its operations to identify the components which are critical to its success?
- A. Business process analysis.
  - B. Dependency charts.
  - C. Inspection visits.
  - D. Root cause analysis.
31. Which risk management technique is a large organisation **most likely** to make use of when stress testing its resilience to potential vulnerabilities?
- A. Business process analysis.
  - B. Customer feedback.
  - C. Flow chart.
  - D. Internal audit.

32. In respect of risk management, a **main** purpose of a risk register is to
- A. calculate the risk appetite.
  - B. eliminate the need for separate internal audit.
  - C. enable a regular review of existing risks.
  - D. permit communication between functions within a business.
33. A large manufacturing company has made an application to an insurance company for business interruption insurance. Having undertaken further analysis of the application, recommendations are made to the company to improve its risk management. In which document are these recommendations **most likely** to appear?
- A. Counter-offer document.
  - B. Demands and needs statement.
  - C. Policy document.
  - D. Survey report.
34. The **main** reason an organisation would make use of risk modelling is to
- A. eliminate downside risk.
  - B. ensure risk is eliminated.
  - C. increase its exposure to long-tail risk.
  - D. understand the levels of risk it faces.
35. An insurance company would **most commonly** analyse past claims data to
- A. comply with internal audit requirements.
  - B. determine future premium rates.
  - C. ensure that its risk management culture is effective.
  - D. predict all long tail exposures.
36. In respect of risk management, inherent risk assumes that
- A. risk appetite is decreasing.
  - B. risk appetite is increasing.
  - C. risk controls are functioning.
  - D. risk controls are not functioning.
37. Which legal factor is **most likely** to influence an organisation's risk appetite?
- A. The cost of staff training to meet regulatory requirements.
  - B. The future direction of interest rates.
  - C. The level of competition in the market.
  - D. The personal accountability of the board of directors.

38. When an organisation is assessing its known risks, what is **typically** the final step of the evaluation stage?
- A. Allocating a numerical value to all risks.
  - B. Considering further action.
  - C. Eliminating all risks.
  - D. Recording each risk for the first time.
39. A business decides to limit the number of products it sells online compared to in-store. This decision will **most likely** have been influenced by the business'
- A. insurance deductible.
  - B. quality control process.
  - C. risk appetite.
  - D. risk tolerance.
40. The financial factor **most likely** to influence the risk appetite of a company listed on the FTSE 100 is its
- A. annual payroll cost.
  - B. annual trading result.
  - C. future share price.
  - D. level of reserves.
41. The **main** influences on an organisation's risk appetite are **primarily** financial, legal and
- A. cultural.
  - B. moral.
  - C. operational.
  - D. societal.
42. What is the **first** stage in compiling a risk register?
- A. Identifying the acceptable and unacceptable risks.
  - B. Pricing and insuring the risks.
  - C. Recording and classifying the risks.
  - D. Reviewing all historical claims data.
43. An organisation's risk register would contain information on which of its risk decisions?
- A. Acceptable and unacceptable risks.
  - B. Retained risks only.
  - C. Retained and controlled risks.
  - D. Unacceptable risks only.



44. In respect of risk management, how would the role of risk owner be **best** described?
- A. An individual responsible for taking action on a particular risk.
  - B. An individual responsible for eliminating an unacceptable risk.
  - C. The individual ultimately responsible for risk management.
  - D. The individual who sets an organisation's risk appetite.
45. What is **typically** the **main** drawback of eliminating risk?
- A. Control costs are impossible to calculate.
  - B. Control is lost to a third party.
  - C. Exposure levels are relatively high.
  - D. Profit potential is always lost.
46. An insurance company is using an industry-wide losses database to help identify fraudulent claims. Which approach to the risk of fraud does this action represent?
- A. Control.
  - B. Elimination.
  - C. Retention.
  - D. Transfer.
47. In respect of risk management, an organisation will use external insurance as a means of risk
- A. control.
  - B. elimination.
  - C. retention.
  - D. transfer.
48. Where a company opts to retain a particular risk, the associated control costs are **likely** to be
- A. negligible.
  - B. non-transferrable.
  - C. uneconomic.
  - D. uninsurable.
49. Which risk control focuses on ensuring that a particular outcome is achieved?
- A. Corrective.
  - B. Detective.
  - C. Directive.
  - D. Preventive.
50. When considering preventive controls, why would physical barriers be more attractive than human action barriers?
- A. They are always cheaper to implement.
  - B. They are less prone to error.
  - C. They provide a quicker response time.
  - D. They are easier to implement.

51. An insurer restricts claims handling to specific individuals. This represents which type of risk control?
- A. Corrective.
  - B. Detective.
  - C. Directive.
  - D. Preventive.
52. A manufacturing company completes regular stock checks. This is an example of which type of risk control?
- A. Corrective.
  - B. Detective.
  - C. Directive.
  - D. Preventive.
53. A **key** benefit for an organisation of spreading unacceptable risks is that
- A. the costs will always be tax deductible.
  - B. the legal risk will automatically be reduced.
  - C. potential losses are shared.
  - D. potential profits are maximised.
54. An organisation requires a level of insurance cover that a single insurer is unable to provide. In order to obtain the required insurance by risk transfer, the organisation could consider
- A. coinsurance.
  - B. captive insurance.
  - C. hold harmless insurance.
  - D. self-insurance.
55. A manufacturing company exports its products and wishes to limit the impact of exchange rate volatility. It would **most likely** achieve this through the use of
- A. borrowing.
  - B. derivatives.
  - C. hold harmless agreements.
  - D. surety agreements.
56. A **key** drawback of using insurance as part of an organisation's business strategy is that
- A. long-term strategic risks are always uninsurable.
  - B. risk is usually priced over a short time period.
  - C. the cost of risk transfer will always increase over time.
  - D. the cost of financing risk retention will always increase over time.

57. In respect of risk management, commercial contracts are used as an alternative to
- A. catastrophe bonds.
  - B. insurance contracts.
  - C. insurance derivatives.
  - D. investment contracts.
58. An organisation is financing risk retention on a captive basis. This means that
- A. a proportion of revenue is being set aside to cover expected losses.
  - B. all losses will be absorbed by the organisation's revenue.
  - C. the expected losses are less than the size of the internal loss fund.
  - D. the organisation is covering certain losses through a form of self-insurance.
59. A company would finance risk using the current expense method for which type of losses?
- A. Avoidable and occasional.
  - B. Avoidable and regular.
  - C. Unavoidable and occasional.
  - D. Unavoidable and regular.
60. Within a FTSE-250 listed company, how would the board of directors **most likely** supervise the company's risk management activities?
- A. By the appointment of a non-executive director.
  - B. By the establishment of a risk subcommittee.
  - C. Through the adoption of enterprise risk management.
  - D. Through the use of its appointed auditor.
61. A multinational business operates its risk management activities on a centralised basis. A **key** drawback of this approach is that
- A. an internal risk fund cannot be used to finance risk retention.
  - B. less aggregate data will be available to make risk decisions.
  - C. the risk management process may be more time-consuming.
  - D. the business' risk appetite will be reduced.
62. Enterprise risk management would **primarily** be used by an organisation to
- A. eliminate risk from the organisation's activities.
  - B. evaluate risk across the organisation's activities.
  - C. outsource risk management to an external party.
  - D. remove the requirement for a risk register.

63. A claim under a commercial buildings policy has been declined due to the broker not passing on information provided by the policyholder. This represents which type of risk?
- A. Aggregation.
  - B. Errors and omissions.
  - C. Reserving.
  - D. Underwriting.
64. An insurance broker is assessing the financial strength of an insurer with which the broker intends to place significant risks. The **primary** reason for doing this assessment is to
- A. eliminate product risk.
  - B. diversify settlement risk.
  - C. manage credit risk.
  - D. reduce market risk.
65. A loss assessor has been appointed to negotiate in respect of a complex claim. To which party(ies) does the assessor owe their **principal** duty of care?
- A. The insured only.
  - B. The insurer only.
  - C. The ombudsman only.
  - D. The insurer and the ombudsman jointly.
66. An insurance company has appointed a forensic specialist to assist with a large claim on a property insurance policy. This indicates that the
- A. claim value exceeds the insurer's risk tolerance.
  - B. insurance company has doubts over the cause of the loss.
  - C. insured property was of a non-standard construction.
  - D. policyholder is challenging the level of the settlement.
67. Corporate governance consultants are **primarily** involved in supplying advice on
- A. compliance management.
  - B. enterprise risk management.
  - C. outsourcing of risk management services.
  - D. payment of insurance claims.
68. An organisation lacks statistical expertise within its risk management function. Which external service provider would it **most likely** use to access this expertise?
- A. An appraisals specialist.
  - B. A business continuity management consultant.
  - C. A legal services company.
  - D. A risk analyst.

69. Within a FTSE 100 company, a **key** role of the risk team is to
- A. advise the board of directors on risk tolerance.
  - B. ensure compliance with all relevant regulations.
  - C. monitor internal processes and procedures.
  - D. select the individuals to comprise the risk sub-committee.
70. The **main** purpose of business continuity planning for a manufacturing company is to reduce the impact on the company of
- A. changes in senior management.
  - B. excessive competition.
  - C. major incidents.
  - D. product faults.
71. A small company wants to demonstrate that it has a business continuity plan in place. How would it **most likely** achieve this?
- A. Appoint a chief risk officer.
  - B. Obtain external accreditation.
  - C. State the fact in its annual accounts.
  - D. Test the plan regularly.
72. A **key** reason why an organisation will implement a business continuity plan is to
- A. eliminate fundamental risk.
  - B. increase the organisation's risk appetite.
  - C. plan for risk events irrespective of their insurability.
  - D. remove the requirement for an internal audit function.
73. The speed with which an organisation can return to normal following a flood at its business premises will depend upon the organisation's
- A. inherent risk.
  - B. reserving.
  - C. residual risk.
  - D. resilience.
74. The **main** objective of the continuity element of business continuity planning is to
- A. identify the immediate actions following an incident.
  - B. protect the information technology infrastructure.
  - C. reduce the risk of reputational damage following an incident.
  - D. return to normal operations as quickly as possible.

75. An organisation has developed a business continuity plan. The plan represents which risk decision by the organisation?
- A. Risk control.
  - B. Risk elimination.
  - C. Risk retention.
  - D. Risk transfer.

## Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
<b>Learning Outcome 1</b>			<b>Learning Outcome 3</b>			<b>Learning Outcome 5</b>		
1	B	1.4	37	D	3.2	60	B	5.1
2	B	1.5	38	B	3.1	61	C	5.2
3	D	1.2	39	D	3.2	62	B	5.2
4	B	1.1	40	D	3.2	63	B	5.3
5	A	1.1	41	B	3.2	64	C	5.3
6	C	1.2	42	C	3.3	65	A	5.4
7	C	1.2	43	A	3.3	66	B	5.4
8	C	1.3	44	A	3.3	67	A	5.4
9	A	1.3	<b>8 Questions</b>			68	D	5.4
10	D	1.3				69	A	5.1
11	B	1.4	<b>Learning Outcome 4</b>			<b>10 Questions</b>		
12	C	1.5	45	D	4.1			
13	B	1.4	46	A	4.1	<b>Learning Outcome 6</b>		
14	C	1.4	47	D	4.1	70	C	6.1
15	A	1.5	48	C	4.1	71	B	6.1
16	D	1.6	49	C	4.2	72	C	6.1
17	A	1.6	50	B	4.2	73	D	6.1
18	D	1.7	51	D	4.2	74	D	6.1
19	A	1.7	52	B	4.2	75	A	6.1
20	D	1.5	53	C	4.3	<b>6 Questions</b>		
21	D	1.2	54	A	4.3			
22	C	1.3	55	B	4.3			
23	D	1.4	56	B	4.4			
<b>23 Questions</b>			57	B	4.5			
			58	D	4.6			
<b>Learning Outcome 2</b>			59	D	4.6			
24	C	2.4	<b>15 Questions</b>					
25	D	2.2						
26	D	2.1						
27	D	2.1						
28	B	2.2						
29	D	2.2						
30	B	2.2						
31	A	2.2						
32	C	2.3						
33	D	2.4						
34	D	2.4						
35	B	2.4						
36	D	2.4						
<b>13 Questions</b>								