



Chartered  
Insurance  
Institute

# P67

## Diploma in Insurance

### Unit P67 – Fundamentals of risk management

April 2018 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) Define the term risk management. (3)  
(b) State **four** benefits of risk management. (4)  
(c) Describe briefly **four** broad classes of risk control providing an example of **each**. (8)
2. (a) Outline the consequences of the failure of the BP risk management systems that led to the Deepwater Horizon disaster in 2010. (7)  
(b) Outline **three** reasons why risk management systems can fail. (3)
3. Describe briefly the following risk standards:  
(a) FERMA 2003. (3)  
(b) AIRMIC, Alarm, IRM: 2010. (3)
4. Define the following types of risk, providing an example of **each**.  
(a) Credit risk. (4)  
(b) Liquidity risk. (4)
5. State **four** sources of external information and explain how they assist the Risk Manager in identifying and evaluating risks. (12)
6. Describe briefly the **three** regulatory bodies that were formed after the enactment of the Financial Services Act 2012, stating the objectives of **each**. (10)

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7. Describe the Dow Fire and Explosion Index and explain the process that would be followed to assess a risk. (10)
8. (a) Define alternative risk transfer. (2)
- (b) Outline **three** types of alternative risk transfer used by organisations. (9)
9. Describe briefly **four** influences associated with risk perception. (12)
10. (a) State **seven** typical risk management responsibilities that a chief risk officer might have. (7)
- (b) Identify **five** stakeholders a chief risk officer would be likely to communicate with on risk matters. (5)
11. (a) Explain the purpose of a risk register. (6)
- (b) State **five** facilities that a web-based, distributed risk register might include. (5)
- (c) Identify **four** potential difficulties that should be recognised in the utilisation of risk registers within an organisation. (4)
12. State the six step process cycle within ISO 22301. (6)
13. Although corporate governance codes differ across the world there are a number of principles that generally appear in all such codes.
- Identify **five** such commonly adopted principles. (5)
14. Describe briefly **two** risk financing options that an organisation might choose to manage their risk exposure, aside from a traditional insurance programme. (8)

QUESTIONS CONTINUE OVER THE PAGE

**PART II**

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

- 15.** You are the Risk Manager for an organisation that operates within an enterprise risk management (ERM) framework. The organisation has recently acquired a business that has not previously had an ERM framework in place. For the benefit of the newly acquired company:
- (a)** define ERM and explain why it is important; **(5)**
  - (b)** describe how ERM emerged, the benefits, and how it operates within an organisation; **(15)**
  - (c)** describe how the internal control framework, known as COSO, might be used within an organisation with an ERM system. **(10)**
- 16.** **(a)** Discuss the global risks that may have an impact on an organisation in setting up new overseas operations. **(15)**
- (b)** Explain the challenges and opportunities associated with setting up a global insurance programme. **(15)**
- 17.** 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)**



