

# THE CHARTERED INSURANCE INSTITUTE

## 655

### Advanced Diploma in Insurance

#### Unit 655 – Risk management

April 2014 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**

Long Distance Haulage Ltd is an international road haulage company, based in the UK, with a large fleet of lorries travelling to and across a number of different countries.

The lorries carry a variety of loads within refrigeration units and containers, transporting a range of cargoes, including food products. The company has recently expanded its portfolio of transported goods and destinations.

In recent years, there have been an increasing number of risks within the industry that are of concern to the Board of Long Distance Haulage Ltd.

The company has experienced some loss of business due to its failure to meet customer demands and expectations. Recently, the company has acquired a new 'key' client who is looking for reassurance on the company's risk management strategy.

The Board has asked you, as a risk manager, to review the various risk related concerns.

**Question**

As a risk manager, prepare a report to the Board, using various risk identification techniques, evaluating the risks both in the UK and abroad and analysing their impact on Long Distance Haulage Ltd.

Prioritise and justify your top **five** risks, using relevant risk modelling and measuring techniques and explain how these risks could be controlled.

**(80)**

Part II questions can be found on pages 6 and 7

**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**

Recent media coverage of product recall incidents has threatened the brand and reputation of some major companies around the world. These risks have also been linked to the supply chain.

As a result of these incidents, a major supermarket chain is conducting a review of its product recall risk management process.

As the Risk Manager of the supermarket chain, you have been asked to report to the Board on product recall and supply chain risk management.

**Question**

Prepare a report to the Board, examining how the supermarket chain's product recall issues can be controlled, including the impact of a product recall event originating in the supply chain.

**(40)****3. Scenario**

You are an insurance broker dealing in commercial risks. You have recently acquired a client who owns a hotel chain that has previously suffered a major loss causing considerable interruption to their business. You consider that the client should have a business continuity programme in place.

**Question**

Prepare a report to your client, analysing the reasons for and benefits of implementing a business continuity programme. Your recommendations for an outline structure and process should be included in your report.

**(40)**

**4. Scenario**

An inner-city state-funded school has seen the cost of incidents covered by insurance increase considerably in recent years, including fire and minor theft losses of equipment from the school premises. Insurance premiums have increased and the school management team is concerned that the state funding authority could reduce the educational budget as a result.

You are the new facilities manager appointed with responsibility for the school premises and reviewing ways of improving risk management.

**Question**

Prepare a report to the school management team:

- assessing the premises risks that could affect the school;
- identifying and evaluating risk control techniques and relevant alternative risk financing options to reduce risk and financial exposure.

**(40)**

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