

# Advanced Risk Financing and Transfer

3<sup>rd</sup> March 2024

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## 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) 40 marks each for a total of 80marks

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- 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

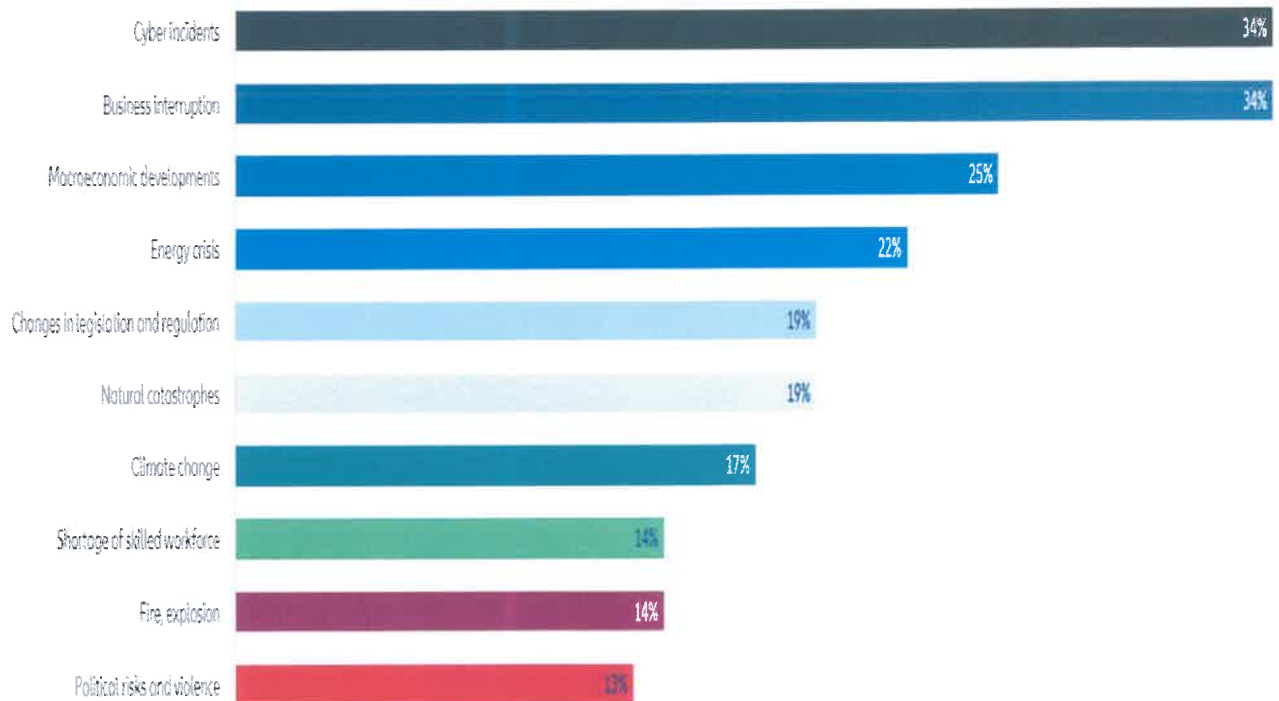
### Case study

This question is worth 80 marks

You should include relevant examples and further reading in your answer where applicable

## QUESTION 1

### CASE STUDY



*The most important business risks in 2023: global (Allianz, 2023)*

### QUESTION

As an expert in pre-loss and post-loss risk transfer financing strategies, explain how you would provide risk management advice to a large corporate by suggesting 8 (eight) different mechanisms to manage the risks elevated in the case study above.

For each of the proposed recommendations, discuss the advantages of using the selected pre-loss and/or post-loss methods and mechanisms.

(80 marks)

## **PART II**

### **Scenarios**

**Answer TWO of the following THREE questions**

**Each question is worth 40 marks**

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#### **QUESTION 2**

##### **SCENARIO**

Organisations are subject to several types of risks, for which decisions on risk retention and transfer must be made. If the organisation has created effective internal controls to reduce the risks, the risks should not be transferred to another third party. Nevertheless, if the risks are of such a kind that transferring them to another party is unavoidable, organisations should consider transferring such risks.

##### **QUESTION**

In the context of the above, explain how an insurance organisation undertakes different responses to enterprise risk as a means of control, through the use of the 4Ts namely "tolerate, treat, transfer and terminate". Give examples to support your answer.

(40 marks)

#### **QUESTION 3**

##### **SCENARIO**

Companies usually develop employee performance standards directly from a thorough and well-written job description.

As an employee, it is important to understand the roles and responsibilities outlined in the job description and the expected performance levels. This will ensure positive results in the expected standards and performance evaluation.

##### **QUESTION**

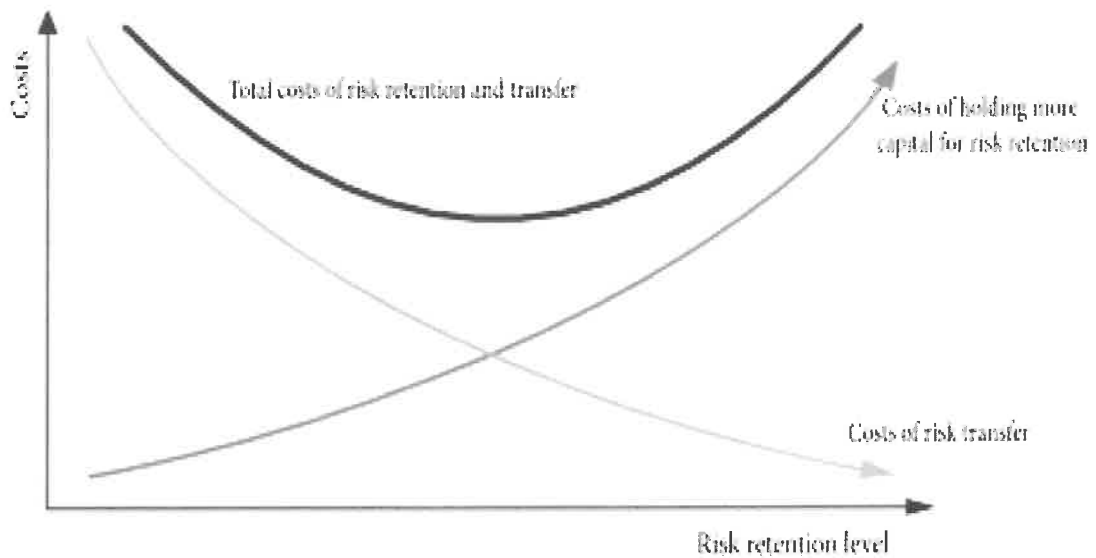
Describe in detail, the role, duties, expectations and value of engaging a Risk Manager by defining the appropriate attributes, skills and competencies expected in a job description to establish the position of a Risk Manager within an insurance organisation.

Detail the job description.

(40 marks)

## QUESTION 4

### SCENARIO



*Graph of Insurance risk management costs optimisation (Vladimir Njegomir and Rado Maksimović, 2009)*

### QUESTION

Evaluate the graph in the scenario and discuss the advantages and disadvantages of using various types of risk control measures that an organisation might adopt.

(40 marks)

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