RISK MANAGEMENT PAST PAPERS

Question 1

Zamalines is a publicservice transport firm with a fleet of 300 vans. The vehicles ply betweenNairobi, Mombasa, Kisumu and Eldoret ferrying passengers under the 'prestige'class. It has employed 350 drivers at any time one vehicle has only one driver.The firm is also involved in the transportation of parcels to variousdestinations in Kenya.

(a) Clearly identifythe risks facing Zamalines [10 marks]

(b) Recommendappropriate risk control measures that can be instituted by Zamalines withspecific reference to reduction, retention and transfer. [15 marks]

Question 2

(a) Briefly explainthe risk financing variables that can be used in risk management.

[10 marks]

(b) Giving relevantexamples, discuss the ways in which risks can be classified.

[15 marks]

Question 3

(a) 'Insurance hasits own benefits as a tool of risk management'. Discuss this statement withspecific reference to the benefits of insurance. [10 marks]

(b) Explain the roleof the insurance broker in risk management and insurance in particular. [15marks]

Question 4

Kabasi, a hugemulti-national company is considering starting a subsidiary dedicated tounderwriting risks of the parent group. You have been approached as an expertin risk management to advise on the reasons necessitating the establishment ofcaptives.

[25 marks]

Answer question ONE and any other TWO questions.

Question 1

a) Giving relevantexamples, discuss the ways in which risks can be classified

(15 marks)

b) In WakwetuCompany, the likelihood of an accident is 0.3. the likelihood of this

accident involving asmall car, van or bus is 0.2, 0.3 and 0.5 respectively.

Irrespective of thetype of vehicle involved, the accident could be fatal or nonfatal.

The likelihood of afatal accident of a small car is 0.3; fatal accident of a

van is 0.5 and fatalaccident of a bus is 0.2. Determine the likelihood of:

i) A small caraccident and it being fatal (3 marks)

ii) Having anaccident of the van (3 marks)

iii) Having a busaccident and it being non-fatal (3 marks)

iv) Having a vanaccident and it being fatal (3 marks)

v) Having a fatalaccident of anything other than the van (3 marks)

Question 1

a) Giving relevantexamples, discuss the ways in which risks can be classified
(15 marks)

b) In WakwetuCompany, the likelihood of an accident is 0.3. the likelihood of this
accident involving asmall car, van or bus is 0.2, 0.3 and 0.5 respectively.
Irrespective of thetype of vehicle involved, the accident could be fatal or nonfatal.
The likelihood of afatal accident of a small car is 0.3; fatal accident of a
van is 0.5 and fatalaccident of a bus is 0.2. Determine the likelihood of:

i) A small caraccident and it being fatal (3 marks)

ii) Having anaccident of the van (3 marks)

iii) Having a busaccident and it being non-fatal (3 marks)

iv) Having a vanaccident and it being fatal (3 marks)

v) Having a fatalaccident of anything other than the van (3 marks

Question 2

a) Explain thetechniques that can be used in the identification of risks that a
business organizationmay be facing (10marks)

b) Explain howchecklists can be used in the identification of risk with specific
reference to thedifferent styles of checklists (10 marks)

Question 3

a) Briefly explainthe risk financing variables that can be used in risk management
(10 marks)

b) Explain the roleof the insurance broker in risk management and insurance in
particular (10 marks)

Question 4

Zawaka, a huge multi-nationalcompany is considering starting a subsidiary dedicated to
underwriting risks ofthe parent group. You have been approached as an expert in risk
management to adviseon the various alternatives of this arrangement available in the
market. Prepare areport to the board of directors highlighting the options available
(20 marks)

Question one

a) Risk managementprotects and adds value to the organization and its stakeholders. Discuss theabove
statement. [15 marks]

b) Discuss theclassification of business activities in the risk management process. [8 marks]

c) Explain the basicrequirements to risk identification to succeed. [4 marks]

d) Explain hazardmethod indices in the risk identification state. [3 marks]

[Total 30 marks]

Question two

a) What does riskmean in common business conversations? [4 marks]

b) What does riskmean? [4 marks]

c) Explain theclassification of risk. [8 marks]

d) Explain the riskfinancing objectives. [4 marks]

[Total 20 marks]

Question three

a) Discuss in detailsthe purpose and the fitness of Hazard and Operability Studies (HAZOP) in

riskmanagement practice. [10 marks]

b) Discuss the mainresponses to risk situations. [10 marks]

[Total 20 marks]

Question four

a) Discuss benefitsof insurance. [5 marks]

b) What arecriticisms to insurance in Kenya? [5 marks]

c) i) What arecaptive insurance companies? [2 marks]

ii) What are thereasons for their formation? [8 marks]

[Total 20 marks]

Question 1

a) Giving relevantexamples, discuss the ways in which risks can be classified

(15 marks)

b) In WakwetuCompany, the likelihood of an accident is 0.3. the likelihood of this

accident involving asmall car, van or bus is 0.2, 0.3 and 0.5 respectively. Irrespective of thetype of vehicle

involved, the accident could be fatal or non-fatal. Thelikelihood of a fatal accident of a small car is 0.3;

fatal accident of a vanis 0.5 and fatal accident of a bus is 0.2. Determine the likelihood of:

i) A small car accidentand it being fatal (3 marks)

ii) Having anaccident of the van (3 marks)

iii) Having a busaccident and it being non-fatal (3 marks)

iv) Having a vanaccident and it being fatal (3 marks)

v) Having a fatalaccident of anything other than the van (3 marks)

Question 2

a) Explain thetechniques that can be used in the identification of risks that a

business organizationmay be facing (10marks)

b) Explain howchecklists can be used in the identification of risk with specific

reference to thedifferent styles of checklists (10 marks)

Question 3

a) Briefly explainthe risk financing variables that can be used in risk management

(10 marks)

b) Explain the roleof the insurance broker in risk management and insurance in particular (10 marks)

Question 4

Zawaka, a hugemulti-national company is considering starting a subsidiary dedicated to underwriting risks ofthe parent group. You have been approached as an expert in risk management to adviseon the various alternatives of this arrangement available in the market. Prepare areport to the board of directors highlighting the options available (20 marks

QuestionOne

a) ABC InsuranceCompany offers an aggregate deductible of Ksh1, 8000,000, the correspondingpremium is Ksh 600,000 and the reserve fund has been set at Ksh1, 2000,000. Fullpremium without deductible is Ksh 900,000 of which 30% accounts for expenses.

i) Determine the purerisk premium (5marks)

ii) Determine theinsurer's discount (5marks)

iii) Determine thepure transferred under the deductible (5marks)

iv) Express theexpected losses under the deductible as a fraction of the deductible (5marks)

b) Explain the roleof insurance broker in risk management and insurance in particular. (10marks)

Question Two

Zamalines is a publicservice transport firm with a fleet of 30 vans. The vehicles play betweenNairobi, Mombasa, Kisumu and Eldoret ferrying passengers under the 'prestige'class. It has employed 350 drivers and at any time one vehicle has only onedrive. The firm is also involved in transporting of parcels to variousdestinations in Kenya.

a) Clearly identifythe risk facing Zamalines. (8marks)

b) Recommendappropriate risk control measures that can be instituted by Zamalines with specificreference to reduction, retention and transfer. (12marks)

Question Three

In XYZ Company, thelikelihood of an accident is 0.5. The likelihood of this accident involving asmall car, van or bus is 0.5, 0.2 and 0.3 respectively. Irrespective of the typeof vehicle involved, the accident could be fatal or non-fatal. The likelihoodof a fatal accident of a small car is 0.4; fatal accident of a van 0.3 andfatal accident of a bus is 0.3. Determine the likelihood of:

i) A small caraccident and it being fatal (4marks)

ii) Having anaccident of the van (4marks)

iii) Having a busaccident and it being non-fatal (4marks)

iv) Having a vanaccident and being fatal (4marks)

v) Having a fatalaccident of an other than the van (4marks)

Question Four

a) Briefly explain the criticisms that have been advanced on insurance as a risk transfer mechanism. (10marks)

b) Discuss the benefits of insurance to a business organization (10marks)

Question 2

a) Explain the techniques that can be used in the identification of risks that a business organization may be facing (10marks)

b) Explain how checklists can be used in the identification of risk with specific reference to the different styles of checklists (10 marks)

Question 3

a) Briefly explain the risk financing variables that can be used in risk management (10 marks)

b) Explain the role of the insurance broker in risk management and insurance in particular (10 marks)

Question 4

Zawaka, a huge multi-national company is considering starting a subsidiary dedicated to underwriting risks of the parent group. You have been approached as an expert in risk management to advise on the various alternatives of this arrangement available in the market. Prepare a report to the board of directors highlighting the options available (20 marks