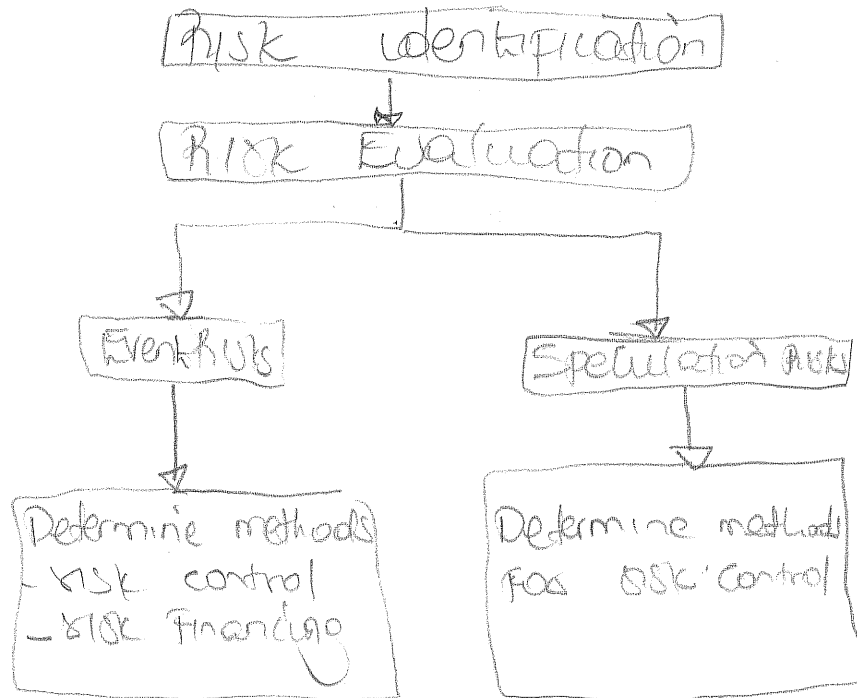


Question 2

- 2.1 Discuss the components of a typical risk management process, and illustrate the integration of the components by means of a diagram

Diagram

(6 marks)



Components

(4 marks)

- The risk management process is a continuous process that can be regarded as a circle of interrelated & continuing steps.
- The methods for the control of event risk & speculative risk & is therefore considered separately

(10 marks)

[TURN OVER]

Question 3

A risk manager is instructed to determine the impact of a possible fire on the organisation. Discuss any five of the methods that might assist the risk manager in determining the **severity** of such a possible loss for the organisation (10 marks)

- ① Business Interruption - analysing the likely loss of profits an organisation may suffer as a consequence of a loss/accident
- ② Insured gross profit - cost relating to loss of revenue, increased cost to repair sales & savings in variable exposure
- ③ Standing charges - cost which occur irrespective of whether or not a business operates
- ④ Maximum possible loss - resulting from a single event given "under" unfavorable conditions.
- ⑤ AS IF Analysis - a specific analysis of past claims history of an organization utilising actual data & projected data

NB There are NINE forms of severity (only selected five of those forms)

(10 marks)

[3 x 10 = 30 marks]

TOTAL MARKS: 70