

UNIVERSITY OF COLOMBO

FACULTY OF MANAGEMENT AND FINANCE

Postgraduate & Mid-career Development Unit

Master of Business Administration in Finance (Semester IV First-half) (2014 - 2016) Examination-
November - 2016

MBAFI 613- Risk Management and Insurance

- **Three (03) Hours**
 - **Answerer five (5) questions.**
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01.

i. Risk identification is the most important step in the risk management process. Why the risk identification process should be both systematic and continuous?

(5 marks)

ii. Developing a risk profile for an organization is fundamental and critical task of a Risk Manager. Explain five risk identification methods that can be used to identify risks of an organization citing two risks that can be identified by each method.

(15 marks)

(Total Marks 20)

02.

i. Risk is most commonly and meaningfully expressed in terms of Frequency and Severity. Hence, Risk Control is mostly focused on either reducing the frequency or the severity. Explain how risk can be controlled by using risk chain framework and give two practical examples for each link of the chain.

(15 marks)

ii. What are the risk reduction methods available for indirect losses?

(5 marks)

(Total Marks 20)

03.

i. Explain how Self-insurance and Captive-insurance can be used as risk retention methods with examples.

(10 marks)

ii. Your CEO is concerned about increasing risk of financing costs. He intends to strike a balance between company's risk retention and transfer portfolios. Make a report to the CEO explaining factors to be considered when making a choice between retention and transfer.

(10 marks)

(Total Marks 20)

04.

i. Explain the importance of risk Policies/Procedures in administrating the risk management function of a company.

(10 marks)

ii. Explain the importance of risk communication in administrating the risk management function of a company.

(10 marks)

(Total Marks 20)

05.

i. State five distinguishing features of insurance contracts from an ordinary contract.

(10 marks)

ii. Briefly explain the characteristics of four unique functional departments of an insurance company.

(10 marks)

(Total Marks 20)

06.

i. In Life insurance, the insurable interest must exist at the time of taking out the policy and not at the time of a claim. Explain four valid ways that insurable interest could exist in a life insurance policy.

(4 marks)

ii. List and explain five types of life insurance policies available in the market.

(10 marks)

iii. Disclosure of information by the insured in insurance contract has a direct impact in the event of a claim. What are the three grounds where an insurer could disclaim liability?

(6 Marks)

(Total Marks 20)
