



CIRSM
CHARTERED INSTITUTE OF RISK & SECURITY MANAGEMENT

PROFESSIONAL GRADUATE DIPLOMA IN RISK AND SECURITY MANAGEMENT

NOVEMBER 2020 ASSIGNMENT QUESTIONS

Level 2

RISK FINANCING

COURSE CODE: RSM 204

INSTRUCTIONS TO CANDIDATE

1. This question paper comprises of **2** printed pages.
2. The assignment is marked out of **75 marks**.
3. **ANSWER ALL QUESTIONS**
4. Start each question on a new page.
5. The assignment is due on the 9th of November 2020 and shall be uploaded on the CIRSM Student online learning portal website: www.cirsm.com.
6. Students should subscribe to the subjects they seek to write examinations on the website portal between the 18th of October 2020-8th of November 2020.
7. Students are expected **NOT** to exceed **4 pages** per question.
8. Students must submit the assignments in Microsoft Word format.
9. **Assignments expire after every examination sitting.**

You are reminded of the need for good English and clear presentation in your answers.

NB: PLAGIARISM AND COPYING IS AN ACADEMIC OFFENSE THAT MAY RESULT IN DISCIPLINARY ACTION. ALL PAPERS WILL BE SCANNED BY ANTI-PLAGIARISM SOFTWARE.

QUESTION 1

Identify any insurance company of your choice with a view to analyse how it cedes its premiums to reinsurers.

Required:

- a) Provide the organisational summary using the following guidelines: **Insurance company name, Location of its head-office, Size of the organisation** (in terms of turnover or number of employees), **Portfolio of products or services** and **Customer base** (Business to Business or Business to Customer). **[5 MARKS]**
- b) With the aid of examples, justify the use of Reinsurance by the insurance company identified in question 1a) above. **[20 MARKS]**



QUESTION 2

Assume that DDK Beverages has the following cost factors for its incurred loss retrospective rating plan:

Standard Premium	\$500 000
Basic Premium	41.5%
Maximum Premium	112%
Minimum Premium	15%
Loss Conversion Factor	11%
Excess Loss Premium	5%
Tax Multiplier	4%

Group 1 - \$50 000 incurred losses

Group 2 - \$75 000 incurred losses

Group 3 - \$100 000 incurred losses

Group 4 - \$125 000 incurred losses

Group 5 - \$25 000 incurred losses

Required:

Calculate the Retrospective Premium for each group and also include Estimated Premium Return (savings/loss) **[25 MARKS]**

QUESTION 3

“Necessity has been said to be the mother of all inventions”. Discuss this statement with reference to the development of the following classes of insurance:

- Motor vehicle,
- Life and health,
- Property and fire, and;
- Aviation and marine.

[25 MARKS]

*****END OF ASSIGNMENT QUESTIONS*****