

UGANDA MARTYRS UNIVERSITY

FACULTY OF SCIENCE

DEPARTMENT OF MATHEMATICS AND STATISTICS

UNIVERSITY EXAMINATIONS
SEMESTER II 2009/10

THIRD YEAR EXAMINATIONS FOR BACHELOR OF SCIENCE
(FINANCIAL MATHEMATICS)

MTC 3202: RISK MANAGEMENT

DATE: 5TH MAY 2010.

TIME: 9:00 – 12:00 NOON

Instructions:

- i) Attempt all five Questions.*
 - ii) Read the Questions carefully before attempting.*
 - iii) Do not write on this question paper*
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Question 1

In an attempt to minimize risks in the stock market, the Capital Market Authority, CMA and the Uganda Securities Exchange, USE have come up with the Securities Central Depository, SCD, System in Uganda.

- i) What is SCD? (2 marks)
- ii) How does SCD work? (2 marks)
- iii) State and explain the major benefits of SCD. (6 marks)
- iv) What are some of the challenges of SCD? (4 marks)
- v) As a risk manager of your listed organization, what do you think are some of the functions of SCD? (6 marks)

Question 2

a) With the help of local examples, explain the meaning of the following terms as applied to Insurance.

- i) Insurable Loss (3 marks)
- ii) Hazards (3 marks)
- iii) Underwriting (4 marks)

b) By use of a local Insurance Company, describe how an insurance company can contribute to the growth of an economy. (6 marks).

c) Outline and explain the basic components of an insurance premium. (4 marks)

Question 3

a) Insurance Companies normally help to reduce the amount of loss suffered due to exposures to risks. Describe the types of loss exposures that Insurance Companies usually handle. (5 marks).

b) i) What is meant by the term *subsidization* in Insurance? (1 mark).

ii) Explain the statement that adverse selection causes subsidization (4 marks)

c) State and explain three advantages of a health insurance scheme to the subscribers to such a scheme (6 marks)

d) Describe the major principles of risk classification (4 marks).

Question 4

- a) Banks are exposed to a number of risks. Briefly explain the main types of financial risk exposures banks face and suggest possible solutions to such risks. (10 marks)
- b) Distinguish between a Broker and an Agent in terms of the Insurance Market operations, using relevant local examples (4 marks)
- c) The Insurance Market has mainly three key players. Who are these key players and what are their functions? (6 marks)

Question 5

- a) Self Insurance may be taken as a form of risk financing.
 - i) Describe what Self Insurance means. (2 marks)
 - ii) Explain two advantages and two disadvantages of Self Insurance (4 marks)
 - iii) How may Self Insurance be treated as risk financing technique? (3 marks)
- b) Some branches of some bank have been robbed by thieves of recent.
 - i) Describe the type of banking risk exposure this could be and suggest possible causes of such risks (4 marks).
 - ii) If you were the Risk Manager in one of the branches that suffered robbery, outline five measures you would take to avoid future robberies. (5 marks)
- c) State two differences between self insurance and general insurance. (2 marks)

END.