



**MUNHUMUTAPA SCHOOL OF COMMERCE**  
**DEPARTMENT OF BANKING AND FINANCE**  
**MAIN EXAMINATION**

<b>B.Com HONS RISK MANAGEMENT</b>	<b>PART 2 SEMESTER 2</b>
<b>COURSE</b>	<b>REINSURANCE</b>
<b>CODE</b>	<b>HRMI 2212</b>
<b>DATE</b>	
<b>DURATION</b>	<b>3 HOURS</b>



**INSTRUCTIONS TO CANDIDATES**

- 1. THE PAPER COMPRISES 4 QUESTIONS.**
- 2. YOU ARE REQUIRED TO ANSWER ALL QUESTIONS.**
- 3. BEGIN THE ANSWER TO EACH QUESTION ON A FRESH PAGE OF THE ANSWER BOOKLET.**
- 4. NON-PROGRAMMABLE FINANCIAL OR SCIENTIFIC CALCULATORS ARE ALLOWED INTO THE EXAMINATION.**
- 5. CANDIDATES WILL OBTAIN CREDIT FOR GIVING APPROPRIATE EXAMPLES WHERE NECESSARY.**

### Question 1 (25 Marks)

- a) Discuss the purpose of the following clauses designed or adapted for surplus share treaties:
- (i) Surplus liability clause (5 marks)
  - (ii) Net retention clause (5 marks)
  - (iii) Retention and limits clause (5 marks)
- b) Explain factors that should be considered in the design of a reinsurance program. (10 marks)

### Question 2 (25 Marks)

- a) Describe the types of pro rata reinsurance and excess of loss reinsurance and their uses. (16 marks)
- b) Explain the following aspects of a reinsurance program:
- (i) Alternative Risk Transfer (ART) (3 marks)
  - (ii) Retrocession (2 marks)
  - (iii) Automatic treaty (2 marks)
  - (iv) Reinsurance basis risk (2 marks)

### Question 3 (25 Marks)

- a) Outline and describe the approaches an insurer takes to understand the financial effects of reinsurance. (12 marks)
- b) Confirm how reinsurance arrangements are treated for accounting purposes in Zimbabwe. Explain why it may be to the disadvantage of an insurer if a purported reinsurance arrangement is not accounted for as reinsurance. (13 marks)

### Question 4 (25 Marks)

- a) Describe treaty reinsurance and facultative reinsurance. (7 marks)
- b) Explain why reinsurance audits are conducted. (6 marks)
- c) Describe the following alternatives to traditional catastrophe reinsurance:
- (i) Industry loss warranties (3 marks)
  - (ii) Catastrophe bonds (3 marks)
  - (iii) Catastrophe options (3 marks)
  - (iv) Reinsurance sidecars (3 marks)

...END OF EXAMINATION...