



Subject: AP2

Chapter: Unit-2

Category: Practice Questions

Q1. CP1 – April 2023 – Paper 2 – Q1

A country with a population of 50 million people has a small town with 50,000 inhabitants located on an island situated a short distance from the mainland. The only connection that the island has to the mainland is one bridge that is now over 50 years old. The road that connects the town on the island to the mainland passes mainly through an important habitat for birds that has been subject to increasing environmental protections over the last 50 years.

The local government for the town recognises that the road and bridge are a critical link between the island and mainland. The maintenance of both the road and bridge is a priority for the local government; however, the connection to the mainland must always be operational. Maintenance of the bridge is typically planned at least 2 years in advance considering the age of the bridge, operational requirements and the local government's financial resource constraints. Occasionally, there will be a need to carry out emergency maintenance on the bridge.

Until 10 years ago, coastal sea flooding of the road from the town to the mainland was very rare. However, in the last 10 years, the frequency and severity of storms that cause flooding and other damage to the road have increased. On one recent occasion, a severe storm and associated coastal flooding caused damage to both the road and bridge, making them unavailable for a week.

The local government has proposed to engage an actuary to undertake a review of its transportation road and bridge link with the mainland. The review will consider the island's infrastructure requirements and assessment of risks for its link with the mainland for the next 50 years, including considering climate change risk.

Currently the local government pays for maintenance costs of the road and bridge link as they arise. A suggestion has been made that a 20-year fixed-cost maintenance contract could be set up to manage the risks and cost of maintaining the road and bridge.

- (i) List the stakeholders who will be part of the transportation review. [6]
 - (ii) Describe three potential conflicts of interest that could arise between the stakeholders identified in part (i). [3]
 - (iii) Set out the factors, including any further investigations, an actuary would need to consider before agreeing to undertake this review. [7]
 - (iv) Describe the possible risks that the actuary should consider in their review. [9]
 - (v) Suggest four possible actions to mitigate the risks identified in part (iv). [4]
 - (vi) Discuss the possible issues with using a model that assesses the impact of climate change in the review. [5]
 - (vii) Assess the suitability of a 20-year fixed-cost maintenance contract for the road and bridge link. [11]
 - (viii) Discuss other possible ways that the government could fund the maintenance contract. [5]
- [Total 50]

Q2. CP1 – September 2022 – Paper 1 – Q6

An insurance company uses financial derivatives to manage its exposure to options and guarantees across a range of financial products it has sold to investors. The range of financial products includes ones that pay benefits on death, on surrender and on maturity.

- (i) Outline the options and guarantees that the insurance company could offer at death, surrender and maturity. [3]
- (ii) Explain why the insurance company may use financial derivatives to manage risk in these products. [4]

[Total 7]

Q3. CP1 – September 2022 – Paper 1 – Q7

A manufacturing company is carrying out a review of all of its global operations to try to understand where it is most exposed to financial, operational, economic and other risks.

- (i) Explain with examples how scenario analysis may be used to assist in this review. [5]
- (ii) Explain why stress testing may be preferable to scenario testing in some situations. [3]

[Total 8]

Q4. CP1 – September 2022 – Paper 1 – Q11

A company is planning to introduce e-scooters (a two-wheeled vehicle powered by batteries) for short-term rental in a large city.

- (i) Outline the risks that the company will need to consider before going ahead with this project. [5]

The company has investigated options to mitigate the risks it faces from renting e-scooters. They have decided that insurance will be needed to cover the risks from part (i). An insurance company has been asked to quote for this business.

- (ii) Discuss the factors the insurance company will need to consider when pricing this business. [6]
- (iii) Outline other possible actions the company providing e-scooters may consider in order to manage the risks before going ahead with the project. [3]

[Total 14]

Q5. CP1 – September 2022 – Paper 2 – Q1

Five years ago, the government of a developing country (Country M) allowed the first insurance company (Company N) in its country to begin operating. Company N is a proprietary insurance company based in Country M and has not employed any Actuaries since it was set up.

The government of Country M also made it compulsory for all employers in the country to provide some form of pension provision for their employees.

The government of Country M has set the following objectives for the next 5 years, which are to:

- increase competition for insurance products in Country M.
- increase pension provision awareness for citizens of Country M.
- reduce climate change in Country M.
- improve the care provision for older citizens in Country M.

In order to meet these objectives, the government of Country M is considering implementing the following proposals:

Proposal A

To increase competition in the life insurance industry in Country M, the government of Country M is considering initially allowing one further insurance company who would operate alongside Company N with the following options being considered:

- Option X – Launch a state-backed life insurance company.
- Option Y – Authorise another domestic private company.

- Option Z – Invite existing overseas life insurance companies to apply to set up a subsidiary life insurance company in Country M. Several companies are expected to apply.

Proposal B

To improve awareness of pension provisions, the government of Country M will set up a website that will allow citizens of Country M to gather data about all of their pension savings, both from the state and their employers, and enable them to project their total expected pension at any given retirement date.

Proposal C

As part of its efforts to reduce climate change, the government of Country M will issue a fixed interest bond. The money raised by the government from the bond issue will be used for projects designed to reduce future carbon emissions by vehicles and households.

Proposal D To improve the health care provision in Country M, the government of Country M will require all citizens of the country to purchase compulsory health care insurance with one of the insurance companies.

The government of Country M will also impose a new stricter solvency regime. The new solvency regime will require insurance companies to hold additional capital sufficient to prevent insolvency in all but the most adverse 0.3% of scenarios. This is higher than the standard used in many other countries, where insurance companies will commonly be required to hold additional capital sufficient to prevent insolvency in all but the most adverse 0.5% of scenarios.

- (i) List the main difficulties that Company N may have faced in the first 5 years, resulting from a lack of actuarial knowledge. [5]
- (ii) Suggest possible reasons why the government is looking to expand the domestic life insurance industry in Country M. [5]
- (iii) Discuss the factors the government is likely to consider in deciding which of options X–Z to adopt. [6]
- (iv) Suggest possible ways that a company – applying under proposal A, option Z – could seek to ensure that they are the life insurance company selected by the government. [5]
- (v) Explain the reasons why the government would want to set up the website for proposal B. [6]
- (vi) Discuss the issues involved in gathering and storing data about pension savings on a website, both from the viewpoints of the government and its citizens. [6]
- (vii) Outline how the insurance companies in Country M could assist in improving pension provisions for the government. [5]
- (viii) Outline the types of institutional investor that may be interested in the government bond for proposal C. [3]
- (ix) Discuss reasons why an institutional investor would want to purchase this government bond. [5]
- (x) Outline the types of cover that the insurance company will need to provide for the health care insurance. [3]
- (xi) Discuss the risks of a health care insurance product for Company N. [3]
- (xii) Describe how the insurance company could mitigate the risks covered under part (xi). [3]
- (xiii) Discuss the likely effectiveness of imposing a higher solvency standard for insurance companies. [5]

[Total 60]

Q6. CP1 – September 2022 – Paper 2 – Q2

A private company has been awarded a contract by the government of a developed country (Country Y) to build and operate Country Y's first national aquarium ('the aquarium').

The aims of the aquarium are to:

- gain an international reputation.
- be a tourist attraction.
- breed, and subsequently release back into the wild, rare and endangered fish.

Based on its intention to honour all of the aims, the company has just been granted permission by the government of Country Y to be the sole provider of the aquarium.

The company has asked an Actuary for advice on certain aspects of this project.

In particular, the company would like advice on how to achieve the aims of the aquarium while maximising its return on capital.

The company first needs to decide on a location for building the aquarium. It will then put in place a team to take responsibility for the construction and subsequent day-to-day running of the aquarium. The company still needs to decide on the precise mix of activities to be undertaken by the aquarium, once opened.

- (i) Outline the issues to be considered in choosing a suitable location for the aquarium. [6]
- (ii) Suggest possible types of insurance that the aquarium may require. [3]

Assume that the company has now purchased the land on which they will be able to build the aquarium. The company is now seeking advice on the financial impact of the possible activities to be undertaken by the aquarium, once opened.

- (iii) Suggest the main activities that the aquarium could choose to undertake, and the cashflows that would be associated with each activity. [6]
- (iv) Outline the risks that the private company will have in building the aquarium and then subsequently the activities mentioned in part (iii). [5]
- (v) Suggest possible actions that the aquarium could take to mitigate the risks mentioned in part (iv). [5]
- (vi) Describe the modelling that could be undertaken to decide on the optimum mix of possible activities. [6]
- (vii) Discuss how the aquarium could be funded, both for the building of the aquarium but also the ongoing running of the activities set out in part (iii). [6]
- (viii) Discuss, from the point of view of the company, possible methods it could use to remunerate the Actuary for the advice. [3]

[Total 40]

Q7. CP1 – April 2022 – Paper 1 – Q2

An insurance company sells single premium unit-linked investment bonds. The bonds can be surrendered at any time by the policyholder for the full value of the units at the date of surrender.

The company is to introduce a new version of the bond with an attaching guarantee. Under the terms of the guarantee, the surrender value on the 5th and 10th policy anniversaries will be subject to a minimum of the single premium paid.

- (i) Outline how the company's administration systems will be affected by the introduction of the new version of the bond with a guarantee. [2]
- (ii) Outline how the company could manage the possible financial costs of the guarantee. [5]

[Total 7]

Q8. CP1 – April 2022 – Paper 1 – Q9

A credit union is a non-profit financial organisation that is set up and owned by its members who share a common membership characteristic – for example, members who live in the same location or who work in the same profession.

The members of credit union GG all live in a particular city. GG offers savings and loans to its members.

- (i) Explain how the principle of pooling risks will apply to the loans GG offers. [3]
- (ii) Describe how the methods of risk acceptance, rejection, transfer and management can be used by GG to manage the loans it offers. [5]

Due to exceptional circumstances affecting some of its members, GG has decided to allow all members access to a loan of up to £500. Loans will be automatically granted to all members who apply within a fixed time period.

- (iii) Suggest reasons why GG might have decided to offer these exceptional loans. [4]
- (iv) Explain potential problems GG may have, relating to these exceptional loans. [2]
- (v) Discuss how the problems identified in part (iv) could be mitigated. [3]
- (vi) Discuss how your answer to part (iv) may differ if GG was formed of members with a common profession, rather than of members who live in the same city. [4]

[Total 21]

Q9. CP1 – April 2022 – Paper 2 – Q1

Background

TT Insurance is an insurance company, owned and established by four individuals, and based solely in Country A. TT Insurance specialises in travel insurance and sells no other types of insurance. TT Insurance heavily markets its products via social media. TT Insurance currently only sells a simple travel insurance product. TT Insurance's marketing strategy focuses on the simple product and it aims to make it as easy as possible for customers to buy this product.

TT's travel insurance product only provides the following cover:

- medical expenses if the policyholder becomes ill when abroad
- repatriation expenses for medical reasons.

TT's travel insurance is only available to customers aged under 65, with no pre-existing medical conditions.

The government of Country A is planning to introduce legislation making it illegal to ask potential customers for information relating to pre-existing medical conditions when applying for insurance products. Certain strictly defined forms of insurance will be exempt but travel insurance is not expected to be among them.

There are no regulations or legislation relating to Environmental, Social and Governance (ESG) considerations in Country A. However, investors in Country A generally expect well-run companies to have high ESG standards and practices in place. The government of Country A is considering introducing regulation to make ESG reporting a requirement for all companies, with the possibility of stronger requirements in future if considered necessary.

Questions

- (i) Discuss why TT may have decided to only offer this single product. [10]

- (ii) Discuss how the change in legislation limiting the questions that may be asked will affect TT's business. [8]
- (iii) Suggest the data issues that may arise for TT as a result of this change in legislation. [6]
- (iv) Describe two low-likelihood high-impact risks for TT's travel insurance. [4]
- (v) Discuss how the risks outlined in part (iv) could be managed or mitigated. [5]
- (vi) Describe how ESG considerations could impact insurance companies. [7]
- (vii) Suggest how any changes to ESG regulation could impact TT's business. [5]
- (viii) Suggest how TT could raise additional capital if needed. [5]

[Total 50]

Q10. CP1 – September 2021 – Paper 1 – Q7

An investment management firm is launching a new range of funds to be marketed as ethical investment funds.

- (i) Outline possible ethical criteria that the new range of funds will need to meet. [3]

One of the firm's directors has expressed a concern that ethical investment funds will always produce lower returns than investment funds without these restrictions. Therefore, the lower performance of the ethical investment funds risks damaging the firm's brand.

- (ii) Discuss whether ethical investment funds have lower expected returns than investment funds without these restrictions. [4]
- (iii) Propose how the firm could mitigate risks to its brand and profitability. [5]

[Total 12]

Q11. CP1 – September 2021 – Paper 1 – Q11

An insurance company has decided to replace its existing deterministic pricing, valuation and financial planning models with stochastic models.

- (i) Discuss why an insurance company may decide to use a stochastic model. [3]

The insurance company has purchased a commercially available pricing model and used the model to reprice its products. Following the repricing, sales volumes increased. Results now show that the repriced business is making a loss.

- (ii) Suggest reasons why using the new pricing model may have resulted in a loss on this business. [7]
- (iii) Discuss how different stakeholders could be affected by the company making losses. [5]

[Total 15]

Q12. CP1 – September 2021 – Paper 2 – Q1

Background

XYZ is an insurance company that sponsors a large defined benefit pension scheme and has decided to embark on a modernisation programme. The aim of the programme is to:

- improve profitability, which will be used to reduce the deficit in the pension scheme.
- reduce the running costs of the pension scheme that will also reduce the deficit.

XYZ has proposed two options to improve profitability of the business:

Option A

All of XYZ's products will only be available to buy over the internet through its own website and not via brokers. Information will be provided to price comparison websites, which will be paid a fixed fee for each policy purchased.

Option B

Launch a new car insurance policy that will require each policyholder to install a 'black box' recorder in their car. The black box will record the distance and speed travelled and will be relayed back to XYZ once a day.

In addition, XYZ has proposed the following ideas to reduce the expenses of running the pension scheme:

- The scheme offers members the option of transferring the value of their benefits to another pension arrangement. Members will obtain transfer value quotations online, which will be calculated using a single factor regardless of age, gender or pension size. If a member accepts the quotation, the transfer value will be processed automatically online. The aim would be to reduce the number of members of staff running the pension scheme.
- The pension scheme has sold all of its assets and re-invested in one fund run by one investment manager that invests only in investment grade corporate bonds on an active basis. The value of these assets will be available daily from the internet, enabling calculation of the assets in any valuation simpler.

Questions

- Discuss the reasons why XYZ would sell its products over the internet, rather than through a broker. [4]
- Describe the problems associated with lack of data that XYZ may encounter before the launch of the car insurance policy under Option B. [4]
- Discuss how XYZ may overcome the lack of data associated with the car insurance policy. [3]
- Describe how XYZ can use the information provided by the black box in adjusting its reserves. [7]
- Discuss how XYZ can manage and control its risks in relation to Option A and Option B. [9]
- List, with examples, the types of expenses that the pension scheme needs to manage. [3]
- Discuss how the pension scheme will set the assumptions for the transfer value factor. [6]
- Outline the issues of having only one factor for transfer values. [5]
- Discuss the risks that arise from investing all of the scheme's assets in a single managed fund. [5]

[Total 46]

Q13. CP1 – April 2021 – Paper 2 – Q1

Background

An insurance company (LifeCo) in a developed country with a high level of financial regulation is considering selling a new product providing long-term care benefits for individual citizens. LifeCo currently sells whole of life assurance and annuity products.

In recent years, the country's citizens have benefitted from significant improvements in life expectancy. Over the same period, there have been significant restrictions on government spending. This has led to the government reducing its financial support for meeting the costs of long-term care for its citizens. The government has indicated that it plans to cut its funding of long-term care further in future years.

In response to the government's proposed changes in long-term care funding, LifeCo intends launching a new long-term care product, which will be sold to people in employment. The product will offer a range of benefits that can be chosen by the individual. The benefits offered on the product may include:

- provision of nursing care in the policyholder's own home.
- cash payments to cover residential care.
- placements at purpose-built care homes, with different levels of care available depending on need.
- cover for funeral costs.

Competition for this type of product is currently very low with few competitors in the market. However, due to the reduction in government financial support for long-term care, a number of banks are also considering entering this market and offering each of the individual benefits listed above to their customers as standalone products.

Questions

- (i) List the advisers LifeCo may need to consult in setting up the new long-term care product. [3]
- (ii) Discuss the factors LifeCo should consider before deciding to launch this new product. [10]
- (iii) Describe the roles that the regulatory authorities may have in respect of the launch and ongoing management of LifeCo's new product. [5]
- (iv) Discuss the risks that LifeCo faces from other parties that could affect the success of LifeCo's new product. [8]
- (v) Discuss how LifeCo could mitigate the risks identified in part (iv). [6]
- (vi) Discuss the level and cover of benefits that LifeCo could offer to policyholders who have stopped paying premiums. [4]
- (vii) Outline the assumptions LifeCo would need to set for pricing this product. [6]

[Total 42]

Q14. CP1 – September 2020 – Paper 1 – Q5

An insurance company writes marine insurance to protect shipping from losses in relation to acts of violence such as war or piracy. Due to increasing political tensions, such actions are becoming more common in one area of the world in which the company has a number of clients.

- (i) Describe, with specific examples, how the company can use risk control measures to mitigate exposure to the risks arising from these political tensions. [4]
- (ii) Discuss how the company can use scenario analysis to predict and control future exposure to such risks. [4]

[Total 8]

Q15. CP1 – September 2020 – Paper 1 – Q8

- (i) Discuss the factors to be considered by an insurance company when deciding whether to use actual policy records or representative model points when using a financial model. [7]

An insurance company has recently completed a valuation of its liabilities for a particular class of business using its stochastic model. It has decided to review the accuracy of the results using actual policy records. The company has already checked the accuracy of the data, assumptions and formulae to be used.

- (ii) Discuss the reasons why the insurance company has used a stochastic model rather than a deterministic model. [8]
- (iii) Set out the remaining steps that could be taken to review the accuracy of the model's calculated result. [4]

[Total 19]

Q16. CP1 – September 2020 – Paper 1 – Q9

A number of countries are members of a union where member countries can access each other's markets. In return, member countries follow a consistent set of regulations governing, among other things, financial services.

Country F, a developed country that has been a member of the union for many years, has recently decided to leave the union. The government of Country F is proposing a full review of its regulations, including for financial services.

- (i) Outline the principal aims of regulation of financial markets. [2]
- (ii) Describe possible regulatory regimes the government of Country F could consider implementing. [3]
- (iii) Suggest an advantage and a disadvantage of each of the regimes identified in part (ii). [3]
- (iv) Outline the potential risks to the domestic financial services industry that Country F faces as a result of changing its regulatory regime now. [4]
- (v) Discuss why the countries remaining in the Union might be concerned about any changes to Country F's regulatory regime. [4]
- (vi) Suggest how the countries in the Union might seek to mitigate any risks in relation to (iv) and (v). [4]

[Total 20]

Q17. CP1 – September 2020 – Paper 2 – Q1

Background

An insurance company in a developed country offers a wide range of life and general insurance products. The company's board has commissioned several projects to improve its business results.

Project 1

The government has introduced a requirement for all companies that own their own commercial properties to purchase commercial property insurance that covers the policyholder in the event of fire damage to its property. Although the company offers property insurance products, it does not offer this specific product and the board wishes to expand into this market by launching a commercial property insurance product.

Project 2

The payments in respect of the sum assured paid out under one of its group life term assurance policies increased significantly over the year, following an explosion that caused multiple fatalities at a factory. The board wishes to review the pricing of future group life term assurance policies and consider how it can improve the management of the risks under these policies.

Project 3

Responsible investment is an investment strategy that integrates environmental, social and governance factors into investment analysis and decisions. The board wishes its defined benefit scheme to

increase the proportion of the scheme's assets that are invested in 'Responsible Investments' and has earmarked a significant investment in either:

- (a) an electricity company using solar and wind power to produce electricity; or
- (b) a 'Responsible Investments' fund offered by an external investment manager, investing in a range of different companies.

Project 4

The company currently sells an income protection product that pays out an income in the event of incapacity. The beneficiaries covered by this product are required to visit a local doctor every year to confirm they remain eligible to continue to receive the benefit over the next 12 months. To control and manage the costs of providing these benefits, the company wishes to appoint its own doctors to make the assessment instead.

Questions

- (i) Discuss how the proposals should be prioritised. [3]
- (ii) Outline the factors that the company would need to consider for a launch of the new product under Project 1. [6]
- (iii) Describe how the company would review the pricing of the product under Project 2. [6]
- (iv) Discuss how the company can manage and control its risks in Project 2. [8]
- (v) Compare the two investment options under Project 3 in relation to the impact each option would have on both the company and the defined benefit pension scheme. [8]
- (vi) Suggest the possible impact of the board's decision for both options under Project 3 on the scheme's funding and risk position. [8]
- (vii) Outline how the company could, by appointing its own doctors under Project 4, control its benefit payments and costs. [8] [Total 47]

Q18. CP1 – April 2020 – Paper 1 – Q2

Outline why regular risk reporting is important for the management of a financial institution. [4]

Q19. CP1 – April 2020 – Paper 1 – Q6

- (i) Outline the reasons for underwriting an insurance risk. [4]

A life insurance company in Country A has so far offered products only to its own domestic market. Country A is a well-developed country. The company is about to start selling a new term assurance product in Country B. Country B is a remote under-developed country. The company is considering the underwriting processes it will apply in Country B.

- (ii) Explain ways in which the company's underwriting processes for Country B might need to be modified compared with its existing approach in Country A. (Details of how to price the business are not required.) [8]

[Total 12]

Q20. CP1 – April 2020 – Paper 1 – Q8

A wealthy individual has a large cash lump sum. He has asked an actuary to advise on how he might invest this sum to provide for himself and his family in retirement, and to be able to leave an amount as an inheritance.

- (i) Describe how the actuary would assess the individual's future liabilities. [4]

- (ii) Identify four key risks, from the viewpoint of the individual, which the actuary should consider when giving their advice. [2]
- (iii) Describe how each of the risks in (ii) might be mitigated. [6]

[Total 12]

Q21. CP1 – April 2020 – Paper 1 – Q9

A bank sells a special mortgage product to prospective borrowers aged over 70. The product provides a loan secured on the accumulated equity in the borrower's home.

The borrower does not need to make any cash payments to the bank on the amount borrowed.

Interest is added to the loan balance every month; a fixed, non-reviewable rate of interest is charged.

The loan balance (including accumulated interest) has to be repaid when the borrower dies, moves into long-term care or sells the property.

- (i) Describe the risks the bank is exposed to with this product. [6]
- (ii) Propose, with reasons, actions the bank could take to manage the risks identified in (i) [8]

[Total 14]

Q22. CP1 – September 2018 – Paper 2 – Q2

A company has recently formed following the merger of two separate companies. The two companies in the merger currently have their own separate offices in the same city. A proposal has been made to move both offices to a new office in a new location. A new office block will be built for them at the new location and the old sites will be closed.

- (i) Outline the possible risks that the company would encounter in relation to the office move. [3]
- (ii) Set out, for each of the risks in (i), distinct ways how to manage them. [5]

[Total 8]

Q23. CP1 – September 2018 – Paper 2 – Q7

- (i) Outline reasons why it is important for insurance companies to measure their risks. [4]
- (ii) Define Value at Risk (VaR). [1]

An insurance company regularly measures the risks it faces for its business.

- (iii) Explain how Value at Risk (VaR) would be calculated given the results of a stochastic simulation of the risks. [2]
- (iv) Discuss the usefulness of VaR as a method of quantifying the insurance company's risks. [6]
- (v) Explain the limitations of VaR in other circumstances. [2]
- (vi) Compare the usefulness of VaR and Tail VaR as methods of measuring risk. [3]

[Total 18]

Q24. CP1 – April 2018 – Paper 2 – Q4

- (i) Describe the following:
 - a) scenario analysis
 - b) stress testing
 - c) stochastic modelling [3]

An insurance company has recently adopted a new stochastic model to determine its capital requirements. The results of the new model show that the company needs to hold less capital than

was calculated under the previous model. An actuary has recently started working for the insurance company and has expressed concern that the capital requirement is much lower than he was expecting.

- (ii) Discuss the actions the actuary should take. [7]

[Total 10]

Q25. CP1 – April 2018 – Paper 2 – Q6

A small general insurance company is based in a rural area. It mainly sells pet insurance. The majority of this business is obtained through local veterinary practices that act as agents and refer their customers to the insurance company.

The owner of one of the largest veterinary practices in the area has proposed that the insurance company expands by providing livestock insurance for the large local farming community.

- (i) Suggest how both the nature of the cover provided under this new line of business and the expected claims experience for livestock insurance is likely to differ from that of the existing pet insurance business. [5]
- (ii) Suggest the potential problems the insurance company would need to consider were it to expand as proposed. [7]
- (iii) Discuss how reinsurance might be used to mitigate some of the problems described in part (ii). [6]

[Total 18]