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PRESIDENCY UNIVERSITY, BENGALURU
SCHOOL OF MANAGEMENT

Max Marks: 100

Max Time: 180 mins

Weightage: 40 %

END TERM FINAL EXAMINATION

I Semester AY 2017-2018

Course: **FIN 303 INSURANCE & RISK MANAGMENT**

23 Dec 2017

Part A

[10 Q x 2 M= 20 Marks]

1. Differentiate subjective risk and objective risk.
2. Differentiate peril and hazard.
3. What is reinsurance?
4. Differentiate pure risk and speculative risk with example.
5. What is the primary objective of risk management?
6. Define the legal principle of indemnification.
7. Differentiate loss control and loss retention.
8. What is human life value?
9. Name the legal entity regulating the insurance sector in India.
10. What is rate making?

Part B

[8 Q x 5 M= 40 Marks]

11. The potential for adverse selection is present in all forms of insurance. Underwriting is one technique that is used to control adverse selection
 - a. Explain the meaning of adverse selection
 - b. Why are insurers concerned about adverse selection?
 - c. Explain how underwriting can be used to control adverse selection
12. Jose, age 30, is married and has one child. He has been told that he should purchase life insurance to protect his family.
Describe each of the basic family needs for which Jose may need life insurance.
13. What are the important insurance company operations?
14. Private insurers provide numerous benefits to society. Explain how private insurance produces each of the following benefits:
 - a. Indemnification
 - b. Enhancement of credit
 - c. Capital accumulation and investment
15. Although no risk completely meets all of the ideal requirements of an insurable risk, some risks come much closer to meeting them than others.
 - a. Identify the ideal requirements of an insurable risk.
 - b. Compare and contrast automobile collisions and war in terms of how well they meet the requirements of an insurable risk

16. Do you think that micro insurance can be provided by insurance companies as part of the implementation of corporate social responsibility goals? What are the micro insurance products offered by SBI Life Insurance Co Ltd
17. “Health Insurance Evolution in India – An opportunity to expand” Critically comment on this.
18. Critically evaluate the marketing strategies adopted by the biggest life insurance provider of India – LIC.

Part C

[2 Q x 20 M = 40 Marks]

19. Enrique, age 32, has a wife and two children, ages 2 and 7. Enrique earns ₹60000 annually. If he dies he wants his family to receive ₹35,000 annually. He also wants to establish an emergency fund of ₹15,000 and an educational fund of ₹50000, and pay off the mortgage, auto loan and credit card accounts. He also wants to set apart a final expenses fund of ₹10000. Enrique’s personal balance sheet is as follows [20 M]

Assets	₹
House	225000
Personal property	40000
Automobiles	20000
Securities and investment	100000
Savings a/c	1000
Individual and group life insurance	250000
Private Pension death benefit	20000
Total	656000
 Liabilities	
Mortgage	200000
Auto loan	25000
Credit card and other	3000
Total	228000

Assuming the liquid assets and life insurance proceeds can be invested to earn 6% annually, calculate the additional capital required to generate the required income. The annual Social Security Survivor benefits is ₹14000/ year.

20. Mr. Simon has been transferred from Delhi to Bangalore. He is relocating to Bangalore and as part of that he has entrusted Aggarwal Packers & Movers to transport his household items and car (Maruti Swift ,2015) from Delhi. On transit the car was stolen and Mr. Simon did not get his car. He went to packers and movers but they were not ready to take the responsibility. Later on he went to his car insurance company and made a claim for the loss. But the insurance company denied the claim reiterating that such an incident is not covered under the insurance contract.

Mr. Simon was helpless and he was advised by one of his friends to move against the packers and movers. He filed a complaint against the packers and movers for negligence and to be compensated for in the high court.

On further investigation by the police it was discovered that the driver of packers and movers has left the key of the vehicle carelessly during the transit. The vehicle was stolen.

Later on the court ruled that the insurance company should pay the price of a new car to Mr. Simon and ordered the packers and movers to compensate the insurance company for what they have paid to Mr. Simon.

- a. What are the legal principles of insurance? **[5 M]**
- b. Why do you think the insurance company is asked to settle the claim and later on the court asked the packers and movers to compensate the insurance company? What are the legal principles of insurance involved in this case? **[10 M]**
- c. Why is the packers and movers held responsible for the loss and which legal principle is involved? **[5 M]**



PRESIDENCY UNIVERSITY, BENGALURU
SCHOOL OF MANAGEMENT

Max Marks: 60

Max Time: 120 Mins

Weightage: 20 %

2016 MBA III SEMESTER
MID TERM EXAMINATION
Course: FIN 303 INSURANCE &
RISK MANAGEMENT

I Semester AY 2017-2018

13 Oct 2017

Part A

(5Q x 2 M= 10 Marks)

1. What is risk?
2. Differentiate peril and hazard
3. What is reinsurance?
4. Differentiate pure risk and speculative risk with example.
5. What is the primary objective of risk management?

Part B

(6Q x 5 M= 30 Marks)

6. Briefly distinguish among the three categories into which hazards may be divided and give an example of each.
7. Ignoring incentives from the legal system what incentives do businesses have to:
 - Make safe products
 - Reduce worker injury risk
 - Avoid polluting the environment
8. For an air-line, describe the most important components of cost of risk that arise from the risk of plane crashes? How might the risk of crashes be eliminated by the airline, if at all?
9. Mike says, "The possibility that my house may burn is a pure risk for me, but if I buy insurance, it is a speculative risk for the insurance company." Do you agree? Why or why not
10. Identify the types of financial losses likely to be incurred by each of the following parties:
 - A person who negligently injures another motorist in an auto accident
 - A restaurant is shut down for six months because of a hurricane
 - A family whose family head dies prematurely
 - An attorney who fails to file a legal brief on time for a client
 - A tenant whose apartment burns in fire
11. Explain the objectives of a risk management program both before and after a loss occurs.

Part C

(1 Q x 20 M= 20 Marks)

12. The High Rise Corporation manufactures and sells ladders and scaffolds that are used by construction firms. These products are sold to more than 1000 independent retailers in India. Management is concerned that the company could be sued if one of its products is defective and someone is injured. Because the cost of the products liability insurance has increased, the company is looking for ways to control its loss exposures.

- a. Describe the steps in risk management process (10 marks)
- b. For each of the following risk management technique, describe a specific action using that technique that may be helpful in dealing with the product liability exposure of High Rise Corporation. (10 marks)
 - Avoidance
 - Loss prevention
 - Loss reduction
 - Noninsurance transfers