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14MBAFM408

**Fourth Semester MBA Degree Examination, June/July 2017**  
**Risk Management & Insurance**

Time: 3 hrs.

Max. Marks:100

**SECTION - A**

*Note : Answer any FOUR questions from Q.No.1 to Q.No.7.*

- 1 Define risk. What are direct and indirect losses? (03 Marks)
- 2 What is maximum probable loss? (03 Marks)
- 3 What is Hedging and how is it useful? (03 Marks)
- 4 Define insurance. (03 Marks)
- 5 Briefly explain annuity policies. (03 Marks)
- 6 What is fire insurance? (03 Marks)
- 7 What is underwriting? (03 Marks)

**SECTION - B**

*Note : Answer any FOUR questions from Q.No.1 to Q.No.7.*

- 1 Explain risk management process. (07 Marks)
- 2 Explain business risk exposures and personal risk exposures. (07 Marks)
- 3 Explain pooling arrangement and how it reduces risk. (07 Marks)
- 4 What is insurable risk? What are 6 requirements of an insurable risk? (07 Marks)
- 5 Explain features of life insurance. (07 Marks)
- 6 Explain the factors considered for premium fixing in motor vehicle insurance. (07 Marks)
- 7 Explain the functions of insurers. (07 Marks)

**SECTION - C**

*Note : Answer any FOUR questions from Q.No.1 to Q.No.7.*

- 1 Explain different types of risk. (10 Marks)
- 2 Explain mean and variance of normal distribution and how is it linked to risk management. (10 Marks)
- 3 Explain the dynamics of insurance market. (10 Marks)

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.  
2. Any revealing of identification, appeal to evaluator and /or equations written eg, 42+8 = 50, will be treated as malpractice.

- 4 Explain briefly any 5 duties and 5 powers of IRDA. (10 Marks)
- 5 Explain briefly classification of life insurance policies on the basis of time, premium payment, claim amount, number of persons insured and payment of policy amount. (10 Marks)
- 6 Explain the various clauses in marine insurance. (10 Marks)
- 7 Explain the critical success factors for insurance players. (10 Marks)

**SECTION - D**  
**CASE STUDY – [ Compulsory ]**

Dhondu Raam Pandu Raam and Co. (DRPR and Co) is into several businesses including personal care products like soaps and detergents food business, chemicals etc. It has a turnover of ₹ 20000 crores annually, a good share of it coming from exports. DRPR and Co generates a profit of about ₹1500 crores on an average but it fluctuates widely from year to year. They have a total investment of ₹ 2000 crores on plant and machinery and they have 5000 employees working for them. Some of them in difficult areas resulting in health problems for them.

In one particular year there was severe drought in the country and crops failed across the nation. Lower disposable income among the formers and its subsequent impact on the economy brought down the sales and profits as well.

In another year prices of oil went up significantly which increased the input costs for the company as oil is the chief ingredient in making soaps which is one of their main products. Company suffered huge losses because of this sudden and unexpected price increase.

It so happened last year that Rupee depreciated suddenly against the US Dollar from ₹ 65 to ₹ 67 a dollar and the company had to pay more for all their imports. However they also received more for their exports but imports were higher than exports for the company.

The company is engaged in huge expansion work and major construction activities are going on involving several contractors and earth moving machines. Thousands of workers are engaged in this expansion work.

The RBI keeps changing the interest rates from time to time and the Co. is worried. The company owns a fleet of about 1000 cars for their employees and they are being used regularly.

1. Explain 5 different risks involved in DRDR and co. and how they affect the company. (10 Marks)
2. Explain how you would manage each one of those risks. (10 Marks)

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