CMR INSTITUTE OF TECHNOLOGY

Scheme of Evaluation
Internal Assessment Test 1– Mar 2022

Sub:	**Risk Management and Insurance**			**Code:**	20MBAFM401
Date: 04-07-2023	**Duration:** 90mins	**Max Marks:** 50	**Sem:** IV	**Branch:**	MBA

Note: Part A - Answer Any Two Full Questions (20*02=40 Marks)

Part B - Compulsory (01*10= 10marks)

Part	Question #		Description	Marks Distribution		Max Marks
A	1	a)	**Define Degree of risk.** The degree of risk refers to the level or extent of potential harm, loss, or negative consequences associated with a particular activity, decision, or situation. It is a measure of the likelihood and severity of adverse outcomes that may result from taking a specific action or being exposed to certain conditions. Factors :Probability, Impact, Vulnerability, Risk Appetite Degree: Very high, high, Moderate, Low		3	20 M
		b)	**Explain Objectives of risk management** • To identify risk at an early stage • Take the necessary steps or measures to mitigate risk • To find out harmful effects in business • Support efficient use of resources Support continuity of organisation		7	
		c)	**Classification business risk exposure of financial assets and human assets.** Risk exposure is the quantified potential loss from business activities currently underway or planned. The level of exposure is usually calculated by multiplying the probability of a risk incident occurring by the amount of its potential losses. Risks are classified into some categories,		10	

			including market risk, credit risk, operational risk, strategic risk, liquidity risk, and event risk. **Financial risk:** market risk, credit risk, liquidity risk, legal risk, and operational risk **Human Risks** –These are caused by human mistakes and errors, as well as the unpredictability of customers, employees, or the work environment. This could include: Organizations must effectively manage four categories of loss exposures: property, liability, personnel, and net income loss exposures. Understanding the definitions of these loss exposures helps insurance personnel to properly identify and analyze them. • Theft • Injury on the Job • Bad Checks • Employee Error • Negligence • Incompetence			
	2	a)	**Difference between risk and uncertainty.** Risk, as it is generally understood by health and safety risk analysts, measures the probability and severity of loss or injury. Uncertainty , on the other hand, refers to a lack of definite knowledge, a lack of sureness; doubt is its closest synonym. At times, these terms are confused.		3	20 M
		b)	**Explain the process of pooling arrangement and diversification of risk.** **Identify the Risks:** As a group, list the things that might inhibit your ability to meet your objectives. You can even look at the things that would enhance your ability to meet those objectives e.g. A fund-raising Commercial opportunity. These are the risks that you face e.g. Loss of a key team member; prolonged IT network outage; **Risk Pooling:** Combining individual risks in such a way that the aggregate risk is reduced. The pooling arrangement decreases the		7	

			probabilities of the extreme outcomes. In pooling arrangements each person's risk is reduced but each person's expected accident cost is unchanged. The pooling arrangement reduces risks through diversification. In pooling arrangements, the cost has become more predictable.			
		c)	**Describe the risk financing techniques.** risk financing methods include: (1) insurance; (2) self-insurance; (3) mutual insurance; (4) finite risk contracts; and (5) capital markets		10	
	3	a)	**Frequency and severity of loss.** Frequency refers to the number of claims an insurer anticipates will occur over a given period of time. Severity refers to the costs of a claim—a high-severity claim is more expensive than an average claim, and a low-severity claim is less expensive.		3	20 M
		b)	**Explain the various types of risk.** • Longevity Risk. • Inflation Risk. • Sequence of Returns Risk. • Interest Rate Risk. • Liquidity Risk. • Market Risk. • Opportunity Risk. • Tax Risk. • others		7	
		c)	**Examine the changing scope of risk management.** **Scope of Risk Management** • External Risk Landscape • Emphasis on Emerging Risks		10	

			• Risk Culture and Risk Appetite • Enterprise Risk Management (ERM): • Strategic Risk Management • Integration of Risk Management with Business Functions			
B	4	a)	**Companies products liability Insurance** – Taking health insurance and life insurance to compensate the loss of these kind incidents. **i) Avoidance** **ii) Loss prevention** **iii) Loss reduction** **iv) Non-insurance transfers**		10	10 M

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