

CBCS SCHEME



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20 MBAFM401

Fourth semester MBA Degree Examination , June/July 2023

RISK INSURANCE & MANAGEMENT


Scheme of Evaluation

Sub:	Risk Management and Insurance					Code:	20MBAFM401		
Date:	13-09-2023	Duration:	3Hours	Max Marks:	100	Sem:	IV	Branch:	MBA

Note: 1 - Answer Any Gout Full Questions Q. No. 1 to Q .No. 7.

2 – Q. No. 8 is Compulsory.

Question #	Description	Max Marks
1	a) Define risk and state the types of risk. Definition of risk: Risk, as it is generally understood by health and safety risk analysts, measures the probability and severity of loss or injury. Types of risk. <ul style="list-style-type: none">• Longevity Risk.• Inflation Risk.• Sequence of Returns Risk.• Interest Rate Risk.• Liquidity Risk.• Market Risk.• Opportunity Risk.• Tax Risk. others	3
	b) Discuss the sources of risk Risks are the most unpredictable of all and come from entirely external sources: nature, other people, government, and society. Risks include storms, floods, earthquakes, and other natural disasters; vandalism, sabotage, and	7

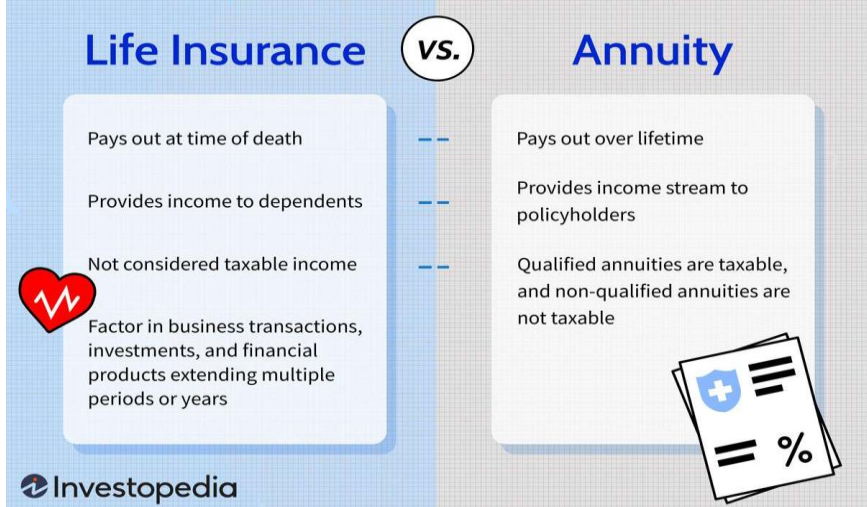
	terrorism; and civil unrest and labor strikes.	
	<p>c) Describe the process of risk management</p> <p style="text-align: center;">RISK MANAGEMENT PROCESS</p> 	10
2	<p>a) State the meaning of risk control.</p> <p>Risk control refers to mitigating or reducing the risks associated with a particular activity or situation. Risk control is a plan-based business strategy that aims to identify, assess, and prepare for any dangers, hazards, and other potentials for disaster. Risk control involves implementing measures to reduce the probability or impact of potential risks. This may include strategies such as implementing safety procedures, creating backup systems, or employing preventative measures to reduce the likelihood of bad outcomes.</p>	3
	<p>b) Explain various techniques of risk control <u>The Essential Techniques of Risk Management</u></p> <ul style="list-style-type: none"> • Avoidance. • Retention. • Spreading. • Loss Prevention and Reduction. • Transfer (through Insurance and Contracts) 	7
	<p>c) Discuss the steps of decision making in risk- management</p> <p>Step 1: Identify the Risk. The initial step in the risk management process is to identify the risks that the business is exposed to in its operating environment. ... Step 2: Analyze the Risk. ... Step 3: Evaluate the Risk or Risk Assessment. ... Step 4: Treat the Risk. ...</p>	10

		Step 5: Monitor and Review the Risk.	
3	a)	<p>List out the characteristics of insurance</p> <ul style="list-style-type: none"> • Insurable interest • Utmost good faith • proximate cause • indemnity, subrogation • Contribution and loss of minimization. 	3
	b)	<p>Describe the requirement of insurable risk</p> <p>Insurable risk means capable of or appropriate for being insured against loss, damage, or death. The loss must be accidental and unintentional. The loss must be determinable and measurable. The loss should not be catastrophic. The chance of loss must be calculable.</p> <p>key property damage risks, such as</p> <ul style="list-style-type: none"> • floods • fires • earthquakes, and hurricanes • personal risks that affect the income-earning power of the insured person • Property risks. • Liability risks that cover losses resulting from social interactions. 	7
	c)	<p>Explain the essentials of valid insurance contracts.</p> <ul style="list-style-type: none"> • Offer and Acceptance. When purchasing an insurance policy, you're required to fill in an application. • Competent Parties. • Consideration. • Consent. • Legal Purpose. • Insurable Interest. • Utmost Good Faith. • Full Disclosure. 	10
4	a)	<p>Define life insurance contract and list out any three documents needed at the proposal stage.</p>	3

		<p>Life insurance is a contract between a life insurance company and a policy owner. A life insurance policy guarantees the insurer pays a sum of money to one or more named beneficiaries when the insured person dies in exchange for premiums paid by the policyholder during their lifetime.</p> <p>Documents needed:</p> <ul style="list-style-type: none"> • Duly filled Proposal Form. • Photograph of the Proposer/Life Assured (Adhaar Card, Voter ID Card, Passport etc.) • Age Proof of the Proposer/Life Assured. • Photo Identity Proof of the Proposer/Life Assured. 									
	b)	<p>Discuss the types of annuities.</p> <p>Immediate annuities: The lifetime guaranteed option. Deferred annuities: The tax-deferred option. Fixed annuities: The lower-risk option. Variable annuities: The potentially highest upside option.</p>	7								
5	c)	<p>Classify the various life insurance policies available.</p> <table border="1"> <tr> <td>Term Life Insurance or Term Plan</td> <td>Long-term pure financial protection plan for family</td> </tr> <tr> <td>Whole Life Insurance</td> <td>Provides life cover for the entire life or till 99 years of age.</td> </tr> <tr> <td>Unit Linked Insurance Plan (ULIP)</td> <td>Invest in a mix of diversified equity and debt funds with just 5-year lock-in for partial withdrawals</td> </tr> <tr> <td>Endowment Plan</td> <td>Surety of receiving the intended sum at</td> </tr> </table>	Term Life Insurance or Term Plan	Long-term pure financial protection plan for family	Whole Life Insurance	Provides life cover for the entire life or till 99 years of age.	Unit Linked Insurance Plan (ULIP)	Invest in a mix of diversified equity and debt funds with just 5-year lock-in for partial withdrawals	Endowment Plan	Surety of receiving the intended sum at	10
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			maturity		
		Money Back Plan	Plan your cash flows for goals like child education and marriage		
		Retirement Plan	Build a retirement corpus or build a pension for your golden years		
		Child Insurance Plan	Invest in a child's higher education and marriage goals under the safety of life cover		
		Group Insurance Plan	Useful for corporate and other organizations to cover their employees and customers against unforeseen hazards		
		Savings & Investment Plans	Channelise your savings towards a future goal		
	a)	Give the meaning of marine insurance. Marine insurance refers to a contract of indemnity. It is an assurance that the goods dispatched from the country of origin to the land of destination are insured. Marine insurance covers the loss/damage of ships, cargo, terminals, and includes any other means of transport by which goods are			3

		transferred, acquired, or held between the points of origin and the final destination.	
	b)	<p>Analyze the role of IRDA in the insurance sector.</p> <ol style="list-style-type: none"> 1. Registering and regulating insurance companies. 2. Protecting policyholders' interests. 3. Licensing and establishing norms for insurance intermediaries. 4. Promoting professional organizations in insurance 	7
	c)	<p>Explain the factors to be considered for premium fixing in life insurance policy.</p> <ul style="list-style-type: none"> • Age: The primary factor influencing the life insurance premiums of a policyholder is his or her age. • Gender: • Medical Records • Family History • Tobacco Use • The Individual Policy 	10
6	a)	<p>What is underwriting in non life insurance?</p> <p>Underwriting is the process of assessing the amount of risk you present to a potential insurer. Professional underwriters review the criteria on your application to see if it's possible to offer you a policy and, if so, how much coverage you're eligible for. Then, they set your monthly premium based on the information.</p>	3
	b)	<p>Describe the functions of insurers.</p> <ul style="list-style-type: none"> • They provide certainty to the insured. • They ensure the protection of the family. • They are risk-sharing policies. • They prevent the damages that can come from loss. • It provides capital. • It's known for improving efficiency. • It helps in boosting the economy 	7
	c)	<p>Describe the claim settlement in General and Life insurance.</p>	10

	<p>Claim settlement in general insurance can make the policyholder stay with the insurer. It is a process where the policyholder claims financial support from the insurer. Claim Settlement in general insurance is offered only after the due process gets completed. The time limit set for the claim settlement process by the IRDAI is within 30 days of raising the claim. Most insurance companies settle the claims within 10 days..</p> <p>Claim settlement is one of the most important services that an insurance company can provide to its customers. Insurance companies have an obligation to settle claims promptly. You will need to fill a claim form and contact the financial advisor from whom you bought your policy.</p> <p>Types of claims</p> <ul style="list-style-type: none"> • Maturity Claim • Death Claim(including rider claim) <p>four simple steps to file a claim:</p> <ol style="list-style-type: none"> 1.Claim intimation/notification 2.Documents required for claim processing 3.Submission of required documents for claim processing 4.Settlement of claim 																
7	<p>a) Differentiate between annuity and life insurance</p>  <p>The infographic compares Life Insurance and Annuity. Life Insurance is associated with a heart icon and Annuity with a document icon. The comparison is as follows:</p> <table border="1"> <thead> <tr> <th>Life Insurance</th> <th>vs.</th> <th>Annuity</th> </tr> </thead> <tbody> <tr> <td>Pays out at time of death</td> <td></td> <td>Pays out over lifetime</td> </tr> <tr> <td>Provides income to dependents</td> <td></td> <td>Provides income stream to policyholders</td> </tr> <tr> <td>Not considered taxable income</td> <td></td> <td>Qualified annuities are taxable, and non-qualified annuities are not taxable</td> </tr> <tr> <td>Factor in business transactions, investments, and financial products extending multiple periods or years</td> <td></td> <td></td> </tr> </tbody> </table> <p>Investopedia</p>	Life Insurance	vs.	Annuity	Pays out at time of death		Pays out over lifetime	Provides income to dependents		Provides income stream to policyholders	Not considered taxable income		Qualified annuities are taxable, and non-qualified annuities are not taxable	Factor in business transactions, investments, and financial products extending multiple periods or years			3
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	<p>b) Explain the various principles of underwriting.</p> <p>The principles of underwriting in insurance form the foundation of a fair and sustainable insurance system.</p> <ul style="list-style-type: none"> • Utmost good faith, 	7															

		<ul style="list-style-type: none"> insurable interest, indemnity, contribution, subrogation and loss minimization are essential to maintaining the balance between the interests of insurers and insured parties 									
	c)	<p>Discuss the types of marine insurance and also mention the important clauses in marine insurance.</p> <table border="1"> <thead> <tr> <th>Types of Plans Under Marine Insurance</th> <th>Clause/Extent of Coverage</th> </tr> </thead> <tbody> <tr> <td>Single</td> <td rowspan="3">* A: All Risk: All risks except rainwater damage. * B: Basic: Accidental Damage</td> </tr> <tr> <td>Annual open</td> </tr> <tr> <td>STOP</td> </tr> <tr> <td>Hull</td> <td>Coverage for the vessel only (Truck, Ship, Train, Airplane)</td> </tr> </tbody> </table>	Types of Plans Under Marine Insurance	Clause/Extent of Coverage	Single	* A: All Risk: All risks except rainwater damage. * B: Basic: Accidental Damage	Annual open	STOP	Hull	Coverage for the vessel only (Truck, Ship, Train, Airplane)	10
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8		Case Study(Compulsory)	20								