

Time: 2.30 Hours

Marks: 75

- NOTE: 1.Q1 is compulsory**  
**2. Q2 to Q5 having internal options**  
**3. Figures to the right indicate full marks.**  
**4. State your assumptions clearly**

**Q1.A State True or False (any 8). (08)**

1. Risk and Return have direct relationship with each other.
2. According to the Insurance Act the Insurance Company has to deposit a specified amount with RBI as a condition for registration.
3. APT stands for Arbitrage Policy Theory.
4. Corporate Governance does ensure transparency.
5. Beta is used to calculate market risk of a Portfolio or Security.
6. Forward Contracts are current commitments.
7. Risk Identification is a continuous process.
8. Jensen Alpha means Actual return Plus Return under CAPM.
9. Risk assurance service is an Independent Professional Service.
10. Identification of risk is the first step in risk management.

**Q1.B Match the column (any 7) (07)**

A	B
1. Fixed Income Securities	a) Systematic Risk
2. Derivatives	b) Term Insurance
3. Decision tree Analysis	c) Internal Audit
4. ULIP	d) Futures and option
5. Government	e) Standardized contract
6. Line of defense	f) Unit Link Insurance Plan
7. Market Risk	g) Flow diagram
8. Future Contract	h) External Stakeholders
9. Motor Insurance	i) Third Party Liability
10. Non – Life Insurance Policy	j) Safe Investment

**Q2.A Define Risk Management. Explain the process of Risk Management. (08)**

**Q2.B Define Arbitrage. Explain the Techniques of Arbitrage. (07)**

**OR**

**Q2.C Explain in detail Three Lines Defense Model. (08)**

**Q2.D Explain Life and Non- Life Insurance. (07)**

**Q3.A** The following particulars are furnished about Mutual Fund schemes A, B and C (15)

Particulars	A	B	C
Dividend Distribution	1.5	2	3
Capital appreciation	1.5	2	3
Opening NAV	20	30	40
Beta	1.46	1.1	1.4

If Government of India bonds carry an interest rate 6.84 % and the Nifty has increased by 12.13%. Ascertain the Alpha of the 3 schemes and evaluate their performance.

**OR**

**Q3.C** Explain Purpose and Sources of Risk Assurance. (08)

**Q3.D** Discuss the functions and duties of IRDA. (07)

**Q4.A** From the following information calculate the Beta of a Security. (08)

Year	Return on Security (%)	Return on Market Portfolio (%)
1	35	22
2	38	26
3	34	24
4	40	28
5	43	30

**Q4.B**

Loss	\$ 100,000	With prob 0.02
	\$ 20,000	With prob 0.08
	0	With prob 0.90

(07)

Find Fair

Premium if

- 1) Policy provides full coverage.
- 2) Underwriting costs = 20% of pure premium.
- 3) Claims are paid at end of years.
- 4) Interest rate = 8%
- 5) Claim processing costs = \$5,00.
- 6) Fair profit = 5 % of pure premium.

**OR**

**Q4.C** Discuss ERM Matrix. (08)

**Q4.D** Briefly discuss Risk and Stakeholders. (07)

**Q5.A** Explain various Investment Strategies to reduce risk. (08)

**Q5.B** How to identify risk with the help of SWOT Analysis. (07)

**OR**

**Q5. Write short note on. (Any 3 out of 5)** (15)

1. Sample Risk Register
2. Response to Stakeholders Expectations
3. Motor Insurance
4. Futures and Options
5. Role of Actuary

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