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.

A **State whether the following statements are True or False (any 8)** (08)

1. As per IRDA Regulation, 2002 surveyor to be appointed within 72 hours.
2. The premium that just covers expected claim costs is called the Pure premium.
3. Reinsurance is also known as insurance for insurers or stop loss insurance.
4. Corporate Governance does ensure Transparency.
5. The Risk return trade-off is the principle that potential return rises with an increase in risk.
6. Legal risk is commonly known as exchange rate risk.
7. Forward contracts are current commitments.
8. The third line of Defense own and manage risk.
9. Risk identification is the last step in ERM process.
10. Standard Deviation is square root of variance of rate of return.

B **Match the following (any 7)** (07)

A	B
1. Life Insurance	A. Portfolio Alpha Measures
2. Operational management	B. Reduce financial threat
3. Alternative Risk Transfer	C. Creditors
4. Tornado Diagram	D. Ratemaking and Pure Premium
5. Derivatives	E. Third Party Liability
6. Jensen measures	F. Future and Options
7. Risk Management	G. Special type of bar chart
8. External stakeholder	H. Risk Securitization
9. Insurance Pricing	I. Owns and manages risks
10. Motor Insurance	J. Endowment Policy

Q2 A Define Risk. Explain Interest and Currency Risk (08)

B From the following information calculates Beta (β) of a security. (07)

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

OR

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Q2 **P** Explain Quantitative Risk measurement and its Limitations (08)

Q Explain Simulation and Duration Analysis. (07)

Q3 **A** Explain the concepts of Forwards, Futures and Options (08)

B Following is the information of Rely ltd under the possible states of nature. (07)

State of nature	Probability	Return on stock A (%)
Boom	0.10	5
Low growth	0.30	10
Stagnation	0.50	15
Recession	0.10	20

Calculate the expected return and standard deviation.

OR

Q3 **P** Discuss different sources of Risk Assurance (08)

Q Discuss Risks and stakeholders' expectations. (07)

Q4 **A** Explain Powers, Functions and Duties of IRDA. (08)

B Explain Pricing of Insurance Product (07)

OR

Q4 **P** Explain Three Lines of Defense. (08)

Q Explain Enterprise Risk Management Matrix. (07)

Q5 **A** Expected losses are given in the table below: (08)

Loss Value (in Rs.)	Probability
1,00,000	0.02
20,000	0.08
0	0.9

Find the fair premium if:
a) Policy provides full coverage
b) Underwriting cost = 12% of pure premium
c) Claims are paid at the end of the year
d) Interest rate = 5%
e) Expected claim cost = Rs.1500
f) Fair profit = 3% of pure premium

B Discuss general guidelines for claim management (07)

OR

Q5 **P** Write a short note on:(Any Three) (15)
1. Risk classification
2. Sample Risk Register
3. Swaps
4. Bancassurance
5. Fire Insurance

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