MASTER OF BUSINESS ADMINISTRATION (MAFCI)
Term-End Examination

June, 2014

MCNE-071 : RISK MANAGEMENT AND INSURANCE

Time : 3 hours   *Maximum Marks : 100*

Note : (1) Attempt any five questions.
(2) All question carry equal marks.

1. What are the primary functions of an insurance company? Compare these functions with that of a banking institution and contrast the balance sheet of an insurance company with a banking institution.   **20**

2. What do you understand by probability distribution? Explain the information contents of a probability distribution. Discuss the utility of variance and standard deviation as a measure of risk.   **20**

3. What are the four basic lines of business **20**
performed by life insurance companies? Describe
the key features of term, endorsement and whole
life insurance policies.

4. Define reinsurance. Explain the primary function **20**
of reinsurance and describe the various types of
reinsurance arrangements. Discuss the principal
ways in which insurance companies can reduce
risk through diversification.

5. What are the differences between life insurance **20**
and non life insurance business? How do the
balance sheets of the two types of company
differ? Describe the major investments held by
life insurance and non-life insurance companies.

6. What is an automobile insurance? Describe **20**
the major rating factors used in automobile
insurance. Develop an argument for how
uninsured or underinsured motorist insurance
might be improved from the perspective of
optimal compensation.

7.	Explain the fundamental determinants of	**20**
	insurance premiums. Explain why and how
	insurers classify buyers into different groups
	based on estimates of expected claim cost and
	describe the effects of this classification on
	societal welfare?

8.	Which of the insurance lines listed below will	**20**
	be charged a higher premium by insurance
	companies and why?

	(1)	Low-severity, high frequency lines versus
		high-severity, low frequency lines.

	(2)	Long-tail versus short tail lines

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