2023

(May/June)

BUSINESS ADMINISTRATION

(Honours)

(Risk Management and Insurance)

[BBAH–403 (a) (FM)]

Marks : 75

Time : 3 hours

The figures in the margin indicate full marks for the questions

PART—A

(*Marks* : 15)

1. Differentiate between direct and indirect expected losses. 3

Or

What is credit risk?

2. What is probability distribution? 3

Or

How is the frequency of loss different from security of loss?

3. Highlight the types of contracting cost. 3

Or

Write a short note on Ex-Ante Premium.

4. What is the primary function of reinsurance? 3

Or

Name three types of insurable risk.

5. What is fire insurance? 3

Or

Differentiate between homogeneous and heterogenous buyers.

PART—B

(*Marks* : 50)

6. Describe the possible direct and indirect losses to a business from—

   (a) an explosion that produces major damage to a manufacturing plant;

   (b) law suits arising from business's release of toxic chemicals that damages the environment. 10

Or

What are the major methods used to finance loses? How does loss financing differ from internal risk reduction?

7. What is maximum probable loss? State its application in insurance business. 10

Or

Explain the various characteristics of probability distribution.

8. Explain how a pooling arrangement reduces risk for each participant when losses are un-correlated. Does pooling reduce the expected cost paid by each participant? Explain. 5+5=10

Or

Explain the various factors affecting an individual's demand for insurance. 10

9. Identify and explain the factors that can limit the insurability of risk. 10

Or

Write a note on insurance and reinsurance business in India.

10. Explain the different types of insurance products and their features. 10

Or

What is fair premium? Elaborate on the major determinants of fair insurance premiums.

PART—C

(*Marks* : 10)

11. Compare the standard deviation of the following distributions : 10

Distribution 1 :

Loss outcome ₹	*Probability*
5,000	0·33
10,000	0·34
15,000	0·33

Distribution 2 :

Loss outcome ₹	*Probability*
5,000	0·00
10,000	1·00
15,000	0·00

Distribution 3 :

Loss outcome ₹	*Probability*
0	0·2
10,000	0·6
20,000	0·2

★★★