2011

BASICS OF RISK MANAGEMENT

Time Allotted : 3 Hours　　　　　　*Full Marks :* 70

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words

as far as practicable.

GROUP – A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the

following : $10 \times 1 = 10$

i) In which of the following methods of Risk Handling, the

chance of loss is reduced to zero ?

a) Risk Transfer b) Risk Reduction

c) Risk Analysis d) Risk Avoidance.

ii) .... is the cause of loss.

a) Peril b) Hazard

c) Risk d) Liability.

iii) Environmental risks are

a) insurable b) non-insurable

c) excluded d) none of these.

iv) A captive insurance company is

a) a subsidiary of the parent company

b) an independent company registered with IRDA

c) also equally exposed to the risk of moral hazards

d) none of these.

v) Submitting a fraudulent claim is the example of ....

hazard

a) physical b) moral

c) morale d) legal.

vi) Careless acts increase the chance of .... hazard

a) physical b) moral

c) morale d) legal.

vii) Insurance is method of

a) loss financing b) loss reduction

c) loss avoidance d) loss measurement.

viii) Investment in shares is an example of

a) pure risk b) speculative risk

c) both (a) and (b) d) none of these.

ix) According to the "Law of Large Number", the large the

number of observations,

a) the higher would be the mean value

b) the lower would be the mean value

c) the higher would be the variance

d) the lower would be the variance.

x) Which one of he following is an example of pure risk ?

a) Loss of money invested in the stock market

b) Loss of money due to gambling

c) Loss of money following a street accident

d) Loss of money due to rise in interest rate.

xi) Risk of any class may be evaluated by using

a) frequency of the occurrence of the losses

b) severity of he probable losses

c) emotional shock suffered by the victim of an

accident

d) Both (a) and (b).

xii) Reasons to form captive insurer include all *except*

a) lower cost

b) creation of wealth

c) formation of a profit centre

d) difficulty in obtaining insurance.

GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following. $3 \times 5 = 15$

2. Describe the steps in risk management process.

3. Differentiate between 'moral hazards' and 'moral hazards'.

4. Evaluate Risk Avoidance and Risk Reduction as Risk

Management techniques.

5. Explain the following risk control techniques : $2 \times 2\frac{1}{2}$

a) Loss prevention

b) Loss reduction.

6. What is enterprise risk management ? Is it similar or

different from traditional risk management ? 2 + 3

GROUP – C

(Long Answer Type Questions)

Answer any *three* of the following. $3 \times 15 = 45$

7. a) What do you mean by pure risk ?

b) Classify pure risks from insurance point of view and

discuss with examples.

c) Mention two differences between pure risk and

speculative risk. 2 + 10 + 3

8. a) How can you explain cost of risk ?

b) Briefly outline different components of cost of risk.

2 + 13

9 a) State the basic principles of Personal Risk Management.

b) Analyse the basic elements of "Risk Evolution process".

6 + 9

10. Discuss about the direct and indirect costs associated with an accident. 15

11. Write short notes on (any *three*) of the following : 5 × 3

a) Safety audits

b) Risk Financing

c) Non-insurance transfer

d) Premature death

e) Risk control techniques.