

Time : 2½ Hours

Total Marks : 75

- NOTE : 1. All questions are compulsory.**
2. Figures to the right indicate full marks.

Q.1 A. Match the column (any 8) (08)

1	RMAC	A	Passive Investment Strategy
2	Derivatives	B	Manages Risk one by one
3	Risk Arbitrage	C	Risk Assessment
4	Risk Register	D	Risk Assurance
5	COSO ERM	E	Risk Control and Compliance
6	First Line Of Defence	F	Management Tool
7	Risk immunization	G	No Initial Investment
8	Second Line of defence	H	Risk Owners
9	Third Line of defence	I	Basel II
10	Risk Management	K	Merger Arbitrage

Q.1 B State whether following statements True or False. (Any 7) (07)

1. Risk Assurance Service is an independent professional service.
2. The Indian insurance industry has less potential.
3. A swap is derivatives contract through which two parties exchange financial instruments.
4. An Interest rates increases bond prices decline.
5. The Risk model can be expressed by the equation : $OAR = IR * CR * DR$
6. Forward contracts are current commitments.
7. Short hedge is transactions when the hedge is accomplished by going short in future markets.
8. Jensen's Alpha is an absolute measure of evaluating a fund's performance.
9. Insurance securitization is transferring of underwriting risks to the capital markets through creation and issuance of financial securities.
10. ERM Matrix is the process or requirement for communicating risk information to support decision making.

Q.2 A. Explain Investment Strategies. (08)

Q.2 B. Calculate Beta for each of the following two securities (07)

Year	X Ltd	Y Ltd	Market Portfolio
1	10	14	12
2	6	2	5
3	13	19	18
4	-4	-12	-8
5	13	11	10
6	14	19	16
7	4	3	7
8	18	20	15
9	24	28	30
10	22	16	25

OR

Q.2. C The rate of return on stock of x and Y under different state of the economy are presented below along with the probability of the occurrence. **(08)**

State of Economy	Probability	Stock X (%)	Stock Y (%)
Boom	0.5	30	35
Normal	0.3	35	40
Recession	0.2	25	30

Q.2 D. Define Risk Management. Explain its Process. **(07)**

Q.3 A. Explain Types of derivatives. **(08)**

Q.3 B. Explain Risk Assurance Report **(07)**

OR

Q.3. C. Explain Risk Arbitrage and Index Arbitrage. **(08)**

Q.3. D Explain Risk management and enterprise Risk management. **(07)**

Q.4. A. Define ERM and explain Its Process. **(08)**

Q.4 B. Expected losses are given in the table below:

Loss Value (in Rs.)	Probability
100000	0.02
5000	0.08
0	0.90

Find the fair premium if: **(07)**

- Policy has a Rs.20000 deductible
- Underwriting cost = 20% of pure premium
- Claims are paid at the end of the year
- Interest rate = 8%
- Claim Processing Cost = Rs. 50000
- Fair profit = 5% of pure premium

OR

Q.4 C. Explain Importance Risk Register **(08)**

Q.4 D. Explain Benefits of Corporate Governance **(07)**

Q.5 A. Explain Three Lines Defence Model. **(08)**

Q.5 B. Explain Sources of Risk Assurance. **(07)**

OR

Q.5 C. Short Notes (Any 3) **(15)**

- Type of Project Stakeholders.
- Silent features of Insurance Bill
- Fire Insurance Claim Procedure.
- COSO ERM Framework
- Risk Measurement.