



Programme: PGDM (Ins. Business Mgmt.)

Batch: 2016-18

Trimester: 1st



PGDM (Insurance Business) - 2016-18

Sub: Business Environment

(INS-101)

Trimester – 1, End – Term Examination: September 2016

[Time Allowed: 2.30 Hours]

[Max Marks: 50]

Roll No: _____

Instruction: Students are required to write their Roll No. on the question paper. Writing anything other than the Roll No. will be treated as **unfair means**. For rough work, please use answer sheet.

Note: - Please be brief and relevant in your answers.
- Section C is compulsory.

Section-A

[There are 5 Questions in this section. Attempt any 3 Questions. Each Question carries 5 marks.]

[3x5=15 Marks]

[A1]

- (a) Why is sustainability considered important for modern business? [3]
- (b) What do you understand by "triple bottom line"? [1]
- (c) Name any one component of Unilever Sustainable Living Plan (USLP) practiced in India. [1]

[A2]

- (a) Identify some of the main reasons why markets change rapidly, giving examples. [3]
- (b) Can you cite examples of products facing competition in (i) rapidly changing market and (ii) a few large rival firms? [1]
- (c) In how many ways can a business react to competition? [1]

[A3]

- (a) It is said that insurers price risk at two levels. Please explain. [3]
- (b) How do insurers foster a more efficient capital allocation? [2]

[A4]

- (a) While forecasting business cycles what are, "leading indicators? Give examples. [3]
- (b) What's your understanding of the "Great Recession"? [2]

[A5]

- (a) Compare and contrast the role and functions of "payment banks" and "small banks". [3]
- (b) Distinguish between FII and FDI and their role in investments. [2]

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Section-B

[Note: Answer any 2 out of the 3 Questions given below. Each Question carries 10 marks]

[2x10=20 Marks]

[B1]

(a) Dwell on the major factors that affect the demand for insurance (drivers of demand) - under risk and risk awareness, income and health, price of insurance, tax provisions" and demographic factors. [7]

(b) What do you understand by the term "underwriting cycle"? [3]

[B2]

(a) It is said that "digitization is a win win for policyholders and insurers" Elucidate. [7]

(b) Discuss the role of telematics and drones in insurance. [3]

[B3]

(a) How do you evaluate the role of WTO in India's international trade with special reference to the 'Four Modes'? [7]

(b) Discuss the difference between product and process patent citing examples. [2]

(c) Explain TRIPS agreement under W.T.O. [1]

Section-C

Case Study

[Marks - 15]

❖ This section is compulsory.

❖ Read the annexed case study and answer the questions given at the end.

CASE 1: WHY HAS CHINA GROWN SO FAST?

[5]

In the 1970s, the Southeast Asian economies of South Korea, Thailand, Malaysia, the Philippines, Hong Kong, Taiwan, and others experienced remarkable rates of economic growth characterized as the **newly industrialized countries** (NICs) their success has provoked intense debates as to why they have grown so fast.

For the neoclassical economists the NICs have shown the success of market liberalization and the triumph of their view of the world. Far from turning their backs on the global economy, these countries trade truly has been the engine of growth.

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However, for the structuralists, while it is the case that the NICs have used trade, this was not the only thing that they did and we need to consider the structural changes that they made before they felt able to benefit from trade openness. For Sen, it was important for these countries to have the social infrastructure in place before external openness. For Stieglitz, the road to the market has to be a gradual one and in particular cannot begin until the state has taken action to reduce poverty for Rodrik, the role of the state in controlling which industries to build up was crucial as was the order in which market reforms are made. It is also important that the state puts in place the necessary institutions to control the possibility of fraud and corruption, China as the fastest growing economy is the prime example of how its particular road to the market has been carefully managed by the state. The Chinese themselves refer to their system as socialism but with Chinese characteristics.

Dependency writers have found it hard to defend their position in the face of the success of the NICs. However, many of these countries have been characterized as being examples of 'crony capitalism' with small elites dominating business and government. Corruption has been rife and there have been a widening in income gaps which has helped fuel ethnic and religious tension. In response to this, repressive governments have sought to control their people through denial of human rights. Another major highlight of the development in all these areas has been the environmental damage that has been created.

Question

1. *How has China managed its road to the market?*

CASE 2: JAPAN FROM BOOM TO BUST

[5]

After the Second World War, against all expectations, the Japanese economy enjoyed an economic miracle' so much so that by the 1980s it had become the second largest economy in the world and many business sought to copy Japanese techniques of production.

So when in the early 1990s the Japanese economy plunged into a recession that was to linger from more than 10 years there was universal surprise. The years 2004 and 2005 began to see a gradual, if tentative recovery, unfortunately ended by the world recession of 2008-09.

The reason for the so-called 'lost decade' for the 1990s was the end of a speculative 'bubble' that had seen land prices surging and stock market prices booming. When this bubble burst, the banks, which had incautiously issued large numbers of loans, were owed vast sums that could not be repaid. The resultant economic shock meant that unemployment began to rise and prices fall. This further cut aggregate demand as consumers stopped spending in the anticipation that prices would continue to fall.

Faced with these mounting problems the government embarked on a Keynesian expansion programme by hugely increasing government spending (at one point government debt rose to 130% of GDP), and by reducing interest rates to nearly zero per cent.

Questions

1. *What was the Japanese government trying to achieve by this combination of expansionary fiscal and monetary policy?*
2. *Given the extent of this stabilization programme would you have expected Japan to have recovered from the recession sooner than it did?*

CASE 3: THE BHOPAL DISASTER

[5]

On December 3, 2009, the 25th anniversary of the Union Carbide gas leak in Bhopal, Indra Sinha, author of the Booker nominated *Animal's People*, a novel based on the disaster, explained why he still felt it was a scandal.

100, 000 people still remain chronically ill as a result of the contamination caused by the explosion and leak of Methylisocyanite (MIC), 8,000 people died on the night of the explosion and in total over 20, 000 have died in the intervening years as a result of gas inhalation. This remains the worst industrial disaster of all time.

For Sinha and many critics this was a disaster waiting to happen as there was inadequate provision for safety at the plant. In this aftermath it is argued that Union Carbide's response to the tragedy was to offer too little in terms of compensation and support for the victims and that there was complicity from Indian civil servants in attempting to down play the long term effects (Sinha and www.bhopal.org).

The plant was operated by Union Carbide, India which was controlled by the US Union Carbide Corporation. Union Carbide itself, (now part of Dow Chemicals) although acknowledging that this was indeed a 'terrible tragedy', claims the explosion must have been the result of deliberate sabotage and it feels that it acted in a responsible way to compensate and help clean up the environment.

Question

1. *What are the failures before and after the event in the case of Union Carbide meltdown?*
