

PGDM (Insurance Business), 2013-15

Risk Management

INS-201

Trimester –II, End-Term Examination, December, 2013

Time Allowed: 2½ Hours

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No. will be treated as **Unfair Means**. In case of rough work please use answer sheet.

Note: - Please be relevant and brief in your answers.
- Section C is compulsory.
- Do not write anything on this question paper except your Roll No.

Section-A

There are 5 Questions in this section. Attempt any 3 questions. Each question carries 5 Marks each.

1. (a) Explain the meaning of Estimated Maximum loss (EML) and its importance in Property account.
(b) Explain the term "Downside Risk". Given two examples in this regard.
2. (a) Briefly explain various Alternate Risk Techniques available in developed markets
(b) Explain pre and post loss objectives of a typical Risk Management Programme.
3. What are the key steps in building an effective Risk Management Programme? Imagine that you are the Head of Risk of a major chemical manufacturing enterprise and put together a suitable Risk Management Programme.
4. MPT Ltd. Is tiles producing company with a labour force of 250. The management has asked the Risk Manager to evaluate the security and safety features in the factory from workers point of view. Elaborate the points that need to be covered.
5. State 2 examples of each of the following physical hazard :
 - (1) Electrical Installation
 - (2) House keeping

Section-B

[Note: Answer 2 out of the 3 Questions below. Each Question carries 10 mark.

1. Do relationship exist between Risk Analysis, Risk Control and Risk Financing? State your the reasons for agreement or disagreement

2. You are a property insurance underwriter renewing a policy for a factory manufacturing fireworks, located within half a mile of the fire station. In the last year, the property suffered a theft which the insured were late reporting. Subsequently, following the surveyor's risk improvement recommendations, new burglar alarms were fitted.

(a) When considering this risk, identify:

- (i) two good physical hazards;
- (ii) the poor physical hazard;
- (iii) the good moral hazard;
- (iv) the poor moral hazard.

3. HPC Motors (HPC) is a India based specialist car manufacturer who relies on various suppliers worldwide for parts and materials required in the assembly of its high quality vehicles. They have recognized the need to address the issue of supply chain risk management and the factors which could potentially interrupt the business or affect its survival.

As HPC's risk manager, prepare a presentation:

Reviewing potential risks that could affect the supply chain of HPC and illustrate these with a risk model; analyzing how supply could be affected

Section-C

Case Study

Marks: 10

Case-1

TCB is a family owned manufacturing company, employing 200 staff. It owns a production and storage facility which uses a process involving heat and the use and storage of combustible materials. Last year, TCB suffered a major fire which caused an interruption to the business for several months. The issues surrounding the fire include the following.

- The fire started in the quality control laboratory, which then rapidly spread to the manufacturing and warehousing areas. This caused considerable loss of stock and raw materials.
- The cause of the fire was attributed to inadequate supervision and training of a junior member of staff operating a small electric furnace which was left running overnight.
- A major long-standing customer, who is heavily reliant on one of TCB's specialist products, suffered financial loss and loss of market share as a consequence of the fire. They are threatening to find an alternative supplier unless they receive reassurances that adequate measures have been taken to prevent a similar event occurring in the future.
- A major issue has been poor communication of information to all who are affected by the fire.
- TCB has previously suffered several minor fire losses which were not fully investigated. Due to the retirement of the founder of TCB, a new chairman has taken over who has an understanding of risk management.

The new chairman has appointed you, as an external risk management consultant, to advise TCB on managing risk better in the future.

Question

Write a report for the chairman focusing on:

- an analysis of the specific lessons that should have been learnt from TCB's experience of this fire and previous losses that should be taken into consideration when developing the risk management strategy that the new chairman intends to implement;
- an evaluation, supported by relevant examples, of how a business continuity plan would benefit TCB.

Marks : 5

Case-2

You are the Risk Manager of a major clothing retailer. Your company sources its supplies on a global basis. One of your main competitors has recently suffered serious reputational damage and loss of business as a result of using suppliers from countries where poor labour practices are common. This competitor had no strategy to identify these risks and deal with the negative consequences of the attack on its reputation. Your chief executive has expressed the concern that your company may be exposed to these risks in a similar way.

Question

Your chief executive has asked you to provide a report examining:

- how your potential vulnerability to the same risks could be identified; and
- Methods which your company could use to control these potential risks.