PGDM-IBM, 2017-19

Sub.: Managing Funds of Insurance Companies

Paper Code: INS-504

Trimester-V, End Term Examinations: December-2018

Time Allowed : 2½ hrs. Roll No.: ____________

Marks: 50

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**. All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. Of Questions to attempt	Marks	Marks
A	3out of 5 (Short Questions)	5 marks each	3*5 = 15
B	2out of 3 (Long Questions)	10 marks each	2*10 = 20
C	Compulsory Case Study	15 marks	15

Section-A

A1. Many functional areas within an insurance company interacts with and provide important support to the investment function. Explain how.

A2. "Several broad trends–consolidation, convergence, globalization and standardisation–influence regulations of institutional investors". Do you agree with the statement? Discuss the reasons for the same.

A3. Control Mechanisms are in place at all levels of the organisation hierarchy including corporate level , functional level and the operational level. Comment

A4. Describe types of potentially unethical or illegal practices that the investment function must guard against.

A5. Define rate of return, identify potential sources of investment returns and calculate a rate of return.

Section-B

B1. Discuss the determinants of Investment management of insurance companies in India.

B2. Do you consider investing in IPOs of life insurance companies is safe investment or would it lead to various risks. Discuss

B3. Traditional investment performance measurement has focused on achieving high yield while minimising risk assumed for a given level of return. Discuss the traditional ways to measure the investment performance.

P.T.O.

Section-C

Case Study Compulsory:-

Case: Strategy for Norway's Pension Fund Global

The September 2013 electoral victory of a center-right coalition after eight years of Socialist rule promised to bring changes to Norway, including to the country's vaunted sovereign wealth fund. Erna Solberg, the leader of Norway's Conservative Party and the country's new prime minister, had promised to review the fund's structure and policies. During the election campaign, she noted that the investments "might be too big to be handled by just one fund." She added, "You could split it either on getting different handlers to compete better, or have different objectives for your investments in different funds. We're going to explore it, develop and see if it's a good idea."

Norway's sovereign wealth fund (Norwegian Pension Fund Global [NPFG]) was the largest such fund in the world.* At the end of 2013, it was worth 5.4 trillion Norwegian kroner, $US 864 billion, roughly $172,000 for each of Norway's 5 million citizens.

The NPFG's existence and growth came from Norway's long-term view of its petroleum revenues. The country's political leadership founded the fund in 1996. Each year since then, the government set aside the profits derived from Norway's North Sea oil fields, with the plan to withdraw only expected earnings, leaving the capital intact to benefit future generations. To accomplish this goal, the governments had instituted a spending rule to take only 4% of the NPFG's assets each year to help fund the country's current operations.

In terms of governance, the Norwegian parliament, the Storting, set the fund's investment policy, while the NBIM (Norges Bank Investment Management), an arm of the country's national bank, ran the day-to-day operations. The political establishment had insisted that the fund be run in a highly transparent manner. In general observers noted that the NPFG operated under far more stringent investment guidelines and reporting requirements than any other country's sovereign wealth fund.

The NPFG was unusual among its peers in that it invested primarily in publicly traded securities and took broad positions in securities markets. At the end of 2013, the NPEG held 60% equities, 5% real estate and 35% fixed income securities. By mandate, all of the fund's investments were outside Norway. The policy intended to protect Norway's currency against large swings in foreign exchange earnings generated by the petroleum industry. The restriction to foreign investments also minimized the potential of using the NPGF's investments for domestic political purposes.

The Ministry of Finance also insisted that the NPFG be operated under strong guidelines for responsible investing. The NPFG was required to exercise its ownership rights and play an active role in the companies in which it invested. In addition, the Ministry of Finance had excluded a list of around 50 companies from the NPFG's investment portfolio for ethical reasons.

In early 2014 the government began to consider new options for the NPFG. The 2008 losses in the Fund's investments and slow recovery had raised concerns in the country. The new government's call for greater infrastructure investments, a stronger social welfare network, and lower taxes led some observers to question whether the government would call for larger withdrawals from the fund. New political priorities heightened awareness about the fund's role and raised questions about the Fund's strategy, management, and ethical investment guidelines. In particular, Norwegians wondered:

Question : (i) What were the highlights of the earlier strategy (before 2013) of investment by the Fund? 7½

(ii) What substantial changes have been implemented in the investment policy of the fund after 2013 and why? 7½