Multiple - Choice Questions (All Multiple-Choice Questions carries Two marks each)

Q.1 Risk-Averse Decision-Maker would have a Utility Function that ............
   a) ........ is Linear
   b) .... increased at Progressively Lower Rates, and had a Negative Second Derivatives.
   c) .... increased at Progressively Faster Rates, and had a Positive Second Derivative.

Q.2 A.L.A.E. does not include ...
   a) Attorney’s Fees.
   b) Investigative Fees.
   c) Expenses associated with settling a particular claim.
   d) Expenses associated with adjusting claims that are not allocated to settlement of a particular claim.

Q.3 Claims-Paid Policies Cover ...
   a) ... Occurrences or Claims, depending on Policy Definitions, first reported during the Policy Period, regardless of the Occurrence Date or When the Associated Losses and A.L.A.E. are paid, provided that the Occurrence Date is after the Retroactive Date.
   b) ... Occurrences or Claims, depending on Policy Definitions, first reported during the Policy Period, with regard to the Occurrence Date or when the Associated Losses and A.L.A.E. are paid, provided that the Occurrence Date is after the Retroactive Date.
   c) ... Losses, or Losses and A.L.A.E., depending on Policy Definitions, paid during the Policy Period, regardless of the Associated Occurrence or claim Report Dates if these dates are after the appropriate Retroactive Dates.
   d) ... Losses, or Losses and A.L.A.E., depending on Policy Definitions, paid during the Policy Period with regard to of the Associated Occurrence or Claim Report Dates if these dates are after the appropriate Retroactive Dates.

Q.4 Unreported Losses :-
   a) Paid Losses + Outstanding Losses.
   b) Paid Losses - Outstanding Losses.
   c) Reserve for Case Reserve Development + Unreported Claims Reserve.
   d) Reserve for Case Reserve Development × Unreported Claims Reserve.

Q.5 What is Severity in respect of Risk Management ?
   a) Average Loss per Claims or Per Occurrence.
   b) Number of Occurrences or Claims per Exposure Unit.
   c) Total Loss per Claim or Per Occurrence.
   d) Average of Occurrences or Claims per Exposure Unit.
Q.6 Which of the following is correct about the Earned Exposures?
   a) Earned Exposures are the Units of Exposures on Policies written during the period in question.
   b) Earned Exposures are the Units of Exposures actually exposed to Loss during the period in question.
   c) Earned Exposures are the Units of Exposures exposed to Loss at a given point in time.

Q.7 If:
   Exposure Units = 97,531
   Claim Count = 975, and
   Scale Factor = 1,000;
Then: Frequency per ‘k’ Exposure Units is:
   a) \( = \frac{[1,000 \times (975)]}{97,531} \)
   b) \( = \frac{[1,000 \times (975)] \times 97,531}{97,531} \)
   c) \( = [1,000 \times (975)] + 97,531 \)
   d) \( = [1,000 \times (975)] - 97,531 \)

Q.8 Pure Premium (P) =
   a) Frequency Per Unit of Exposure (F_i) – Severity (S)
   b) Frequency Per Unit of Exposure (F_i) / Severity (S)
   c) Frequency Per Unit of Exposure (F_i) \times Severity (S)
   d) Frequency Per Unit of Exposure (F_i) + Severity (S)

Q.9 Process Risk is...
   a) Risk associated with the selection of the parameters underlying the applicable Model of the Process.
   b) Risk associated with the rejection of the parameters underlying the applicable Model of the Process.
   c) Risk associated with the projection of future contingencies that are inherently variable.

Q.10 The Percentage Change for any Loss of a Given Size should...
   a) Increase as the size of Risk increases, all else being equal.
   b) Decrease as the size of Risk increases, all else being equal.
   c) Not change as the size of Risk increases, all else being equal.

Q.11 Credibility should...
   a) Increase as the size of Risk increases, all else being equal.
   b) Decrease as the size of Risk increases, all else being equal.
   c) Not change as the size of Risk increases, all else being equal.

Q.12 Retained Earnings:
   a) Owners Equity + Contributed Capital.
   b) Assets + Liabilities - Contributed Capital.
   c) Assets + Liabilities + Contributed Capital.
   d) Owners Equity - Contributed Capital.

Q.13 Accounting Date is...
   a) The Date on Which the Loss Occurred
   b) The Date on Which the Loss is First Reported
   c) The Date on Which the Loss is First Recorded in the insurer's statistical information.
   d) The Date used to define the Group of Claims to be included in the Liability Estimate.
   e) The Date as of which the Evaluation of the Loss Liability is made.
Q.14 The indicated Loss Reserve is ...
   a) The Result of the Actuarial Analysis of a Reserve Inventory as of a given Account
      Date conducted as of a certain Valuation Date.
   b) The Amount that must ultimately be paid to settle all Claim Liabilities.
   c) The Amount of Unpaid Claim Liability shown on External or Internal Financial
      Statements.
   d) The Difference between the Carried Reserve and the Required Reserve.

Q.15 Who insures, normally ?
   a) Risk - Neutral
   b) Risk - Seeker
   c) Risk - Averse

(Essay type questions : All essay type question carries Ten marks each.)

Q.16 Write short Notes on :
   a) Essential Characteristics of Liability.
   b) Pooling a Special Type of Risk Retention.
   c) Societal Benefits of Insurance.
   d) Practical Differences in Pure Premium Method and Loss Ratio Method

Q.17 List the essential characteristics of the accounting definitions of liability. Bring out
   clearly whether these are satisfied by a claim liability of a Property & Casualty Insurance.

Q.18 Explain :
   a) Elements of Total Loss Reserve.
   b) Key Dates.


Q.20 Define Risk.
   What are the Types of Risk ?
   What are the Goals of Risk Management ?

Q.21 Explain ‘Prospective Individual Risk Rating Systems’, Covering Schedule Rating,
   Experience Rating and Composite Rating.
Q.22 Compute the Figures in place of ‘?’ in the following:

**Case Reserve Activity**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>Counts</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Beginning Outstanding</td>
<td>1,015</td>
<td>56,73,633</td>
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<td>2.</td>
<td>New Reserves</td>
<td>80</td>
<td>2,70,850</td>
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<tr>
<td>3.</td>
<td>Reopened Reserves</td>
<td>29</td>
<td>84,472</td>
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<td>4.</td>
<td>Zero Reserves</td>
<td>2</td>
<td>0</td>
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<tr>
<td>5.</td>
<td>Reserve Increases</td>
<td>28</td>
<td>1,63,995</td>
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<tr>
<td>6.</td>
<td>Sub-Total : Increases</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>7.</td>
<td>Reserve Decreases</td>
<td>81</td>
<td>(57,433)</td>
</tr>
<tr>
<td>8.</td>
<td>Closed with Payment</td>
<td>30</td>
<td>(7,13,281)</td>
</tr>
<tr>
<td>9.</td>
<td>Closed without Payment</td>
<td>71</td>
<td>(1,47,291)</td>
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<tr>
<td>10.</td>
<td>Sub-Total : Decreases</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>11.</td>
<td>Total Reserve Change</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>12.</td>
<td>Final Payments</td>
<td>30</td>
<td>7,93,180</td>
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<tr>
<td>13.</td>
<td>Partial Payments</td>
<td>82</td>
<td>60,514</td>
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<tr>
<td>14.</td>
<td>Fast Track Payments</td>
<td>8</td>
<td>29,281</td>
</tr>
<tr>
<td>15.</td>
<td>All Other</td>
<td>51</td>
<td>32,943</td>
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<tr>
<td>16.</td>
<td>Total Payments</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>17.</td>
<td>Salvage / Subrogation</td>
<td>28</td>
<td>(3,269)</td>
</tr>
<tr>
<td>18.</td>
<td>Incurred Loss</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>19.</td>
<td>Ending Outstanding</td>
<td>?</td>
<td>?</td>
</tr>
</tbody>
</table>

END