Subject Code—742-X

M.I.B. (Second Year) EXAMINATION

(Re-appear)

MIB-203

ECONOMICS OF INSURANCE

Time : 3 Hours   *Maximum Marks :* 100

Note : Attempt any *Five* questions. All questions carry equal marks.

1. What does the term equilibrium mean in economics ? Explain why the price in a free market will not remain above or below equilibrium for long, unless there is outside interference. What condition will be satisfied when a consumer attains its equilibrium ?

2. Why is most production activity carried out by firms, rather than by independent contractors ? Given the advantages of larger firm size, why don't we expect firms to grow larger without limit ?

3. Why is the demand curve facing a perfectly competitive firm infinitely elastic ? 'To maximize profit, a perfectly competitive firm should produce the level of output at which marginal cost is equal to price." True, false, or uncertain ? Explain.

4. How is insurance taken as a form of production ? Explain the role of risk and uncertainty in pricing the insurance products.

5. The present wave of privatisation of insurance sector is the outcome of the failure to produce the right products at right price under the social control and nationalisation of this sector. Explain.

6. What are the major characteristics of financial investment ? Give a comparative view of the investments in mutual funds vis-à-vis insurance.

7. Explain the major features of the products offered by insurance firm in light of premium charged, coverage and, risk and uncertainty. Also give the comparison of these products.

8. What is the methodology of computing the premium and rebates on insurance products ? Also describe in brief the procedure of computing benefits on maturity for policy holders.