



**Time Allowed: 3 Hours**

**Maximum Marks: 100**

**Date: June 21, 2023**

**An Introduction to Insurance  
AIBP (Specialization)**

**Roll No:**

**Instructions:**

- i. Attempt ALL questions;
- ii. Answers must be neat, relevant and brief;
- iii. In checking the answers, the examiner takes into account clarity of exposition, logic of arguments, presentation and language;
- iv. Read the instructions printed inside the top cover of answer script CAREFULLY before attempting the paper;
- v. DO NOT write your Name, Access No. or Roll No. etc. anywhere inside the answer script(s);
- vi. Candidates are advised not to mark any of the objective answer on the Question Paper, otherwise their paper will be cancelled;
- vii. Question Paper must be returned to invigilator before leaving the examination hall.
- viii. Ensure that you shade your choice on the Optical Mark Reader sheet correctly. Only **ONE** circle must be shaded as shown below:

**Correct way**

A  B  C  D (Choice B is selected)

**Incorrect ways**

A  B  C  D

**SECTION B: SUBJECTIVE**

**Attempt ALL Questions.**

**(40 Marks)**

**Q2.**

- A. What is the difference between Risk and Probability? Give an example of each concept to clarify the difference. **(4 Marks)**
- B. Describe Physical, Moral and Morale Hazards with examples. **(6 Marks)**

**Q3.**

- A. Elaborate the phrase "Assuming the Risk" in the context of risk management and explain how is it different than "Self-Insurance" method of Risk Management? **(4 Marks)**
- B. Explain law of large numbers and how it is important for insurance industry to function? **(6 Marks)**

**Q4.**

- A. A banker is faced with two requests for financing. In 1<sup>st</sup> case the assets have adequate insurance cover while the 2<sup>nd</sup> has no insurance cover. Explain how the customer having insurance is a good credit risk? **(4 Marks)**
- B. Give two examples of each type of the following uninsurable risks. **(6 Marks)**
  - i. Market Risk
  - ii. Political Risk
  - iii. Production Risk



**Q5.**

- A.** X's construction machinery is having value of Rs. fifty million. However, the insurance company 'Y' covered it for Rs. forty million only. 'X' rented out the machinery to 'Z'. Due to negligence of 'Z', the machinery is totally destroyed by accident. 'Y' pays Rs. forty million as claim to 'X'. 'X' sues 'Z' in court for negligence. Court awards Rs. sixty million as punitive damages. Calculate the amount 'Y' can legally recover from 'X'? **(4 Marks)**
- B.** What products of non-life and life classes of business are offered in Pakistan by banc assurance channels of different banks? **(6 Marks)**

**X ——— END OF PAPER ——— X**