

Elective Paper

Paper 20B

RISK MANAGEMENT IN BANKING AND INSURANCE(RMBI) 100 Marks

Module. No.	Module Description	Weight
Section A: Risk Management in Banking		60%
1	Introduction to Risk Management	5%
2	Interest Rate Risk and Market Risk	15%
3	Credit Risk and Liquidity Risk	15%
4	Sovereign Risk and Insolvency Risk	10%
5	Operational Risk and Off-Balance Sheet Risk	15%
Section B: Risk Management in Insurance		40%
6	Introduction to Insurance Business	10%
7	Insurance Intermediaries, General Insurance, Health Insurance and Life Insurance	15%
8	Managing Risk in Insurance Business	15%

SECTION A: RISK MANAGEMENT IN BANKING

1. Introduction to Risk Management

- 1.1 Concept of Risk
- 1.2 Risk vs. Uncertainty
- 1.3 Types of Risk
- 1.4 Risk Management – Concept and Approaches
- 1.5 Risk Management Strategies

2. Interest Rate Risk and Market Risk

- 2.1 Interest Rate Risk Management
 - 2.1.1 Concept
 - 2.1.2 Source
 - 2.1.3 Term Structure of Interest Rates and Yield Curve
 - 2.1.4 Interest Rate Risk and Credit Risk
 - 2.1.5 Measuring Interest Rate Risk
 - 2.1.6 Interest Rate Risk Measurement and Basel Norms
 - 2.1.7 Managing Interest Rate Risk
- 2.2 Market Risk Management
 - 2.2.1 Market Risk and its Types
 - 2.2.2 Calculating Market Risk Exposures
 - 2.2.3 Market Risk and Basel Norms, Value-at-Risk (VaR)
 - 2.2.4 Sources of Foreign Exchange Risk Exposure
 - 2.2.5 Foreign Asset and Liability Positions

- 2.2.6 Interaction of Interest Rate
- 2.2.7 Inflation and Exchange Rates
- 2.2.8 Hedging Market Risk
- 2.2.9 Dynamic Hedging Strategies

3. Credit Risk and Liquidity Risk

- 3.1 Credit Risk Management
 - 3.1.1 Credit Risk Exposures, Types
 - 3.1.2 Credit Risk Measurement Models – Merton’s Model
 - 3.1.3 Credit Risk Measurement and Basel Norms
 - 3.1.4 Managing Credit Risk
- 3.2 Management of Non-Performing Assets (NPAs)
 - 3.2.1 Definition, Concept and Categorisation of NPAs
 - 3.2.2 Choices available to Banks for Management of NPAs
 - 3.2.3 Trading of NPAs
 - 3.2.4 Status of NPAs in Banks in India
- 3.3 Liquidity Risk Management
 - 3.3.1 Liability-side and Asset-side Liquidity Risk
 - 3.3.2 Types of Liquidity Risk Events
 - 3.3.3 Liquidity Risk vs. Credit Risk
 - 3.3.4 Liquidity Risk in Insurance Services
 - 3.3.5 Measuring Liquidity Risk
 - 3.3.6 Managing Liquidity Risk
 - 3.3.7 Asset Liability Management – Concept
 - 3.3.8 Role of ALM in managing Interest Rate Risk and Liquidity Risk
 - 3.3.9 RBI Guidelines

4. Sovereign Risk and Insolvency Risk

- 4.1 Sovereign Risk Events
- 4.2 Debt Repudiation versus Debt Rescheduling
- 4.3 Evaluation of Sovereign Risk
- 4.4 Mechanisms for dealing with Sovereign Risk Exposures
- 4.5 Insolvency Risk Analysis through Capital Adequacy Ratios

5. Operational Risk and Off-Balance Sheet Risk

- 5.1 Operational Risk – Identification and Assessment, Basel Norms
- 5.2 Monitoring and Mitigating Operational Risk
- 5.3 Off-Balance Sheet Risk Exposures
- 5.4 Loan Commitments
- 5.5 Commercial Letters of Credit, Letters of Undertaking and Bank Guarantee
- 5.6 Derivatives
- 5.7 Deposit Insurance
- 5.8 Nature of Off-Balance Sheet Risks

SECTION B: RISK MANAGEMENT IN INSURANCE

6. Introduction to Insurance Business

- 6.1 Definition, Concept and Features of Insurance

- 6.2 Principles of Insurance
- 6.3 Role of Insurance towards Economic Growth
- 6.4 Difference between Insurance Companies and other Financial Institutions
- 6.5 Insurance Regulatory and Development Authority (IRDA) – Objectives, Statutory Powers and Functions of IRDA

7. Insurance Intermediaries, General Insurance, Health Insurance and Life Insurance

- 7.1 Insurance Intermediaries
 - 7.1.1 Insurance Agents
 - 7.1.2 Surveyors and Loss Assessors
 - 7.1.3 Insurance Brokers
 - 7.1.4 Third Party Administrators (TPAs)
 - 7.1.5 Bancassurance
 - 7.1.6 Other Channels
- 7.2 General Insurance
 - 7.2.1 Principles
 - 7.2.2 General Insurance Products
 - 7.2.3 Tariff Advisory Committee (TAC)
 - 7.2.4 General Insurance Council
 - 7.2.5 De-tariffing in General Insurance
 - 7.2.6 IRDA's Exposure/Prudential Norms
 - 7.2.7 Solvency Margins of Non-life Insurers
- 7.3 Concept and Types of Health Insurance Policies
- 7.4 Structure and Type of Re-insurance
- 7.5 Life Insurance
 - 7.5.1 Principles and Characteristics
 - 7.5.2 Types of Life Insurance Products
 - 7.5.3 Solvency Margins of Life Insurers
 - 7.5.4 Various players in Life Insurance Business
 - 7.5.5 LIC of India
 - 7.5.6 Post Office Life Insurance
 - 7.5.7 Other Players

8. Managing Risk in Insurance Business

- 8.1 Concept of Risk in Insurance Business
- 8.2 Factors affecting Risk Profile of Insurers
- 8.3 Kinds of Risks in Insurance – Portfolio Risk, Solvency Risk, Marketing Risk, Market Risk, Operational Risk and Other Risks
- 8.4 Risk-based Capital, Types of Risk-based Capital – Current Risks, Special Risks, Non-technical Risks
- 8.5 Risk Management Process in Insurance
 - 8.5.1 Risk Identification
 - 8.5.2 Risk Assessment
 - 8.5.3 Risk Treatment
 - 8.5.4 Risk Reduction
 - 8.5.5 Risk Review and Monitoring
- 8.6 Role of an Actuary in Insurance Business