Final Assessment

Fall Semester

BBA Program

Course title : Banking and Insurance

Course Code : Fin - 434

Student Name : MD TUSHAR AHAMED

Student ID : 1113300361

# Answer to the question no: 1

**Bank:** A bank is a financial institution licensed to receive deposits and make loans. Bank may also provide financial services, such as wealth management, curency exchange and safe deposit boxes, There are two types of banks. Commercial / retail banks and investment banks. Banks act as intermediaries between people who deposit money and those who borrow money.

## Answer to the question no: 2

**Insurance:** Insurance is a legal method of protection from financial loss. The insurance acts as a shield or protection in general from the uncertain occurrence of loss.

Insurance is a contract that provides financial protection ageinst losses. It's away to way to share risk among policyholders, making payments more affordable. It is a Part of the Risk management system that Companies and organisations have to minimise uncertain losses.

## Answer to the question no: 6

**Meaning of Bank Reserve:** Bank reserves are the cash minimums that financial institutions must have on hand in order to meet central bank requirements. This is real paper money that must be kept by the bank in a vault on-site or held in its account at the central bank.

**Different types of bank reserve:** The three main type of bank reserves are:

a) Required

b) Excess, and

c) Legal.

**Required Reserve:** The amount of cash or bank deposits that a bank is legally requrired to hold. To ensure a bank's stability, these funds are kept in a liquid account and not lent out.

Excess Reserves: Also known as secondary reserves, these are funds that a bank keeps beyond what is requied by authorities, debtors, or internal systems Central banking regulators specify benchmark reserve requirement quantities for Commercial banks.

Legal reserves: The sum of cash holdings that a financial institution or insurance firm is legally required to keep as reserves Legal reserves are also known as total reserves, and are divided into required and excess reserves.

Underwriter: An underwriter is a financial professional who researches and assesses the financial risk risk of a potential insurance policy, security, or loan to determine whether an institution should take on the risk and, if so, how much it should charge to ensure a profit.

Key functions of an underwriter:

Risk assessment: Thoroughly analyzing an applicant's financial situastion, credit history and other relevant factors to determine the level of risk involved in approving a loan, insurance policy, or investament.

Pricing determination: Based on the risk assessment deciding the appropriate premium, interest rate, or other terms for the financial product to fairly compenss-ment the company for taking on the risk.

Due dilligence: Conducting thorough investigations and gathering necessary documentation to verify the information provided by the applicant.

Complance checks: Ensuring that all transactions adhere to relevant regulations and company policies.

Answer to the question no:7

Different types of insurance policies: There are various types of insurance in the market due to the presence of a large number of insurance companies.

The type of Insurance that will be discussed are:

1. Life Insurance
2. General Insurance.

1. Life Insurance: Life insurance is a type of insurance policy in which the insurance company undertakes the task of insuring the life of the policyholder for a premium that is paid on a daily/monthly/quarterly/yearly basis.



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Some of the types of life insurance policies that are prevalent in the market are:

a) <u>Whole life policy:</u> As the name suggests, in this kind of policy the amount that is insured will only be paid out to the person who is nominated and it is only payable on the death of the insured.

b) <u>Endowment life insurance policy:</u> In this type of policy the insurer undertakes to pay a fixed sum to the insured once the required number of year are completed or there is death of the insured.

c) <u>Joint life policy:</u> It is that type of policy where the life insurance is availed by two persons, the premium for such a policy is paid either jointly or by each individual in the form of installments or a lump sum amount.

d) **Annuity policy**: Under this policy, the sum assured or the policy money is paid to the insured on monthly / quarterly / half-yearly or annual payments.

e) **Children's Endowment policy**: Children's endowement policy is taken by any individual who wants to make sure to meet the expenses necessary for children's education or for their marriage.

2. **General Insurance**: General Insurance is related to all other aspects of human life apart from the life aspect and it includes health insurance, motor insurance

fire insurance, marine insurance and other type of insurance such as cattle insurance, sport insurance, crop insurance etc.

We will be dicussing the various types of general insurances in the following lines.

a) <u>Fire Insurance:</u> Fire insurance is a type of general insurance policy where the insurer helps in paying off any damage that is caused to the insured by an accidental fire till the specified period of time, as mentioned in the insurance policy.

b) <u>Marine Isurance:</u> Marine insurance is a contract between the insured and the insurer. In marine insurance, the protection is provided against the perils of the sea.

Marine insurance covers three different types of insurance which are ship hull, cargo and freight insurance.

Ship or hull insurance: As the ship is exposed to many dangers at the sea, the insurance covers for losses coused damage to the ship.

a. Cargo Insurance: The ship carrying cargo is subjected to many risks which can be theft of cargo, lost goods at post or during the voyage.

b. Freight Insurance: In the event of cargo not reaching the destination due to any kind of loss or damage during transit, the shipping company does not get paid for the freight charges.

c) **Health Insurance:** Health insurance is an effective safeguard for protection against rising healthcare costs. Health insurance is a contrach that is made between an insurer and an individual or a group.

d) **Motor vehicle insurance:** Motor vehicle insurance is a popular option for the owners of motor vehicles. Here the owner's liability to compensate individuals killed by negligence of motorists is borne by the insurance company.

e) **Cattle Insurance:** In case of cattle insurance, the owner of the owner of the cattle receives an amount in the event of death of the cattle due to accident, disease or during pregnancy.

f) Crop Insurance: Crop insurance is a contract for providing financial support to the farmers in the event of crop failure due to drought or flood.

g) Burglary Insurance: Burglary insurance comes under the insurance property. Here the insured is compensated in the event of a burglary for the loss of goods, damage occurred to house hold goods and personal effects due to burglary, larceny or theft.

## Answer to the question no: 8(i)

(i) ATM: ATM stands for an "Automated Teller Machine". An ATM is a computerized device that enables individuals to conduct various banking transactions without the need for a human teller. It provides a conveninet way to access and manage our bank accounts, even outside the banking hours.

## Answer to the question no: 8(ii)

ii) Debit card: A debit card is a payment card linked directly to your checking account, allowing you to make purchases or withdraw cash at ATMs by balance, essentially acting like an electronic


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check, with the option to use it for everyday transactions instead of carrying cash.

## Answer to the question no: 8(iii)

Endowment policy: An endowment plan is a life insurance plan that offers a life cover and helps you grow your money. It provides returns that are fixed at the time of the purchase of the policy. It can be used to save for various goals like buying a house your child's education or marriage, starting a new venture and more.