

POST-GRADUATE DIPLOMA

IN

FINANCIAL MARKETS

AND

INSURANCE
(Effective from June 2014)

SEMESTER-I

- Paper-I: Financial Management
- Paper-II: Techniques of Financial Analysis
- Paper-III: Life Insurance
- Paper-IV: Risk Management

SEMESTER-II

- Paper-V: Investment Management
- Paper-VI: Marketing of Financial Services
- Paper-VII: Non-Life Insurance
- Paper-VIII: Regulation of Financial Markets and Services
- **Project Report(Dissertation)**

SEMESTER-I

PAPER – I: FINANCIAL MANAGEMENT

Unit 1: Financial Management Overview:

- Evolution
- Objectives/Goals
- Functions and Scope
- Relationship of Finance to Economics and Accountancy
- Emerging Role of the Financial Manager

Unit 2: Valuation Concepts in Financial Decisions:

- Time Value of Money – Compound Value, Future Values, Net Present Value
- Present Value of Bonds and Shares
- Risk and Returns – Theory, Evidence and Application

Unit 3: Investment Decisions: Long Term Investments:

- Techniques of Capital Budgeting
- Risk Analysis in Capital Budgeting
- Cost of Capital

Unit 4: Investment Decisions: Short Term Investments:

- Working Capital Management
- Principles of Working Capital
- Management of Cash
- Management of Accounts Receivables
- Management of Inventories
- Working Capital Finance

Unit 5: Financing and Dividend Decisions:

- Financial and Operating Leverage
- Capital Structure Theories
- Dividend Theories and Policy
- Long Term Sources of Finance
 - Equity Share Capital – recent trends in equity finance
 - Debt as a Source of Finance – innovations in debt market
 - New Instruments

References:

- (1) Prasanna Chandra; Financial Management: Theory and Practice; Tata McGraw Hill
- (2) Pandey; I.M.; Financial Management; Vikas Publications
- (3) Van Horne and Wachowicz; Fundamentals of Financial Management; Practice – Aall-Publications.
- (4) Brearley and Myers; Principles of Corporate Finance, Tata McGraw Hill.

PAPER – II: TECHNIQUES OF FINANCIAL ANALYSIS

Unit 1: Basic Tools of Analysis:

- The Function
- The Slope
- Measuring Slope by Differentiation
- The Partial Derivative
- Applications of Derivative
- Elasticity

Unit 2: Optimization Techniques:

- Unconstrained Optimization
- Maximizing Total Revenue
- Minimizing Average Cost
- Maximization of Profit
- Constraint Optimization (by substitution technique & by Lagrangian Multiplier method)

Unit 3: Mathematics for Finance:

- Introduction and Overview
- Time Value of Money and Theory of Interest
- Return, Risk and Co-movement
- Elementary Portfolio Mathematics
- Differential Calculus

Unit 4: Financial Statements Analysis and Techniques of Financial Decision Making

- Financial Ratios
- Fund Flow Analysis
- Cash Flow Analysis (AS-3)
- Economic Value Added
- **Relevant Information and Decision Making:** Short run and long run decisions. Features of Relevant information – Revenues and Costs; Relevant information and differential analysis; Precautions in decision making; Types of differential analysis decisions
 - Make or buy
 - Drop or add
 - Sell or process further
 - Operate or shut down
 - Replace or retain
 - Buy or lease
 - In sourcing or Out sourcing
 - Special Orders

Unit 5: Statistical Methods:

- **Descriptive Statistics:** Data Representation, Basic concepts and applications of the measures of Central Tendency, Dispersion, Skewness and Kurtosis; Bivariate Analysis: Correlation Analysis, Rank Correlation, Regression Analysis: Simple Linear Regression, Multiple Regression, Concept of Coefficient of Determination and its interpretation.
- **Actuarial Principles:** Introduction: The Actuarial Science – Theory And Practice: Introduction to Actuarial Principles: Economic Principles, Financial Principles, Statistical Principles; Demography Basics; Characteristics Of Actuarial Science – Actuarial Education – Actuarial Research, Emerging Risk – Insurance Risk –Rate Making Concept of Rate Making – Basic Terminology – Rate Making Process – Criteria for Selecting Rating Variables – Operational Criteria – Ramification of Restrictions – Examples of Classification Systems – Forces Affecting Classification Systems, Credibility: – Relationship to Credibility – Measures of Efficiency – Estimating Class Relativities – Loss Ratio Approach – Premium Approach, Trended – Projected – Ultimate Losses – Expense Provisions – Profit and Contingencies – Expense Provisions – Risk Analysis – Overall Rate Indications – Classification Rates, Life Tables and their Construction, Pricing of Insurance products, Policy Values

[Emphasis on the application of statistics in managerial decision making is expected rather than calculation of more illustrations]

References:

- 1) Business Mathematics – Sancheti & Kapoor, Sultan Chand & Sons
- 2) Managerial Economics –
- 3) Donald Cooper & Pamela Schindler: “Business Research Methods” Tata McGraw Hill (9th Edition)
- 4) Moshe Ben-horin and Levy: “Statistics- Decision and Applications” Addison Wesley
- 5) Srivastav, Shenoy and Sharma: “Quantitative Techniques for Managerial Decisions” Wiley Eastern
- 6) Bernard Ostle and Mensing R. W.: “Statistics in Research” Ith IOWA State University Press
- 7) Sharma K.R.: “Business Research Methods” National Publishing House
- 8) Anderson, Sweeny, Williams: “Essentials of Modern Business Statistics” Thomson

PAPER – III: LIFE INSURANCE

Unit1: (A) General Theory of Insurance:

- Introduction of Insurance
- Principles of Insurance
- Insurance Industry and Insurance Market
- Insurance Terminology: Common terms used in insurance – terms common to both life and non – life insurance – terms are specific to life and non – life insurance – how insurance terms are used.

(B) Economic Security and Economics of Life Insurance

- Life Insurance Pricing Fundamentals
- History and Importance of Life Insurance
- Uses of Life Insurance
 - Life Insurance in Personal Financial Planning
 - Life Insurance Taxation
 - Life Insurance in Business Planning

Unit 2: Life Insurance – An Introduction: Life Insurance and its customers – The Economic Life Cycle – The Asset – Defining and Measuring HLV – The Risks – Mortality verses other risks – Age and mortality risk – Level Premiums– Types of Life Insurance - Pooling and financial risks – The contract – The “Buy Term” Debate, : Fundamentals of life insurance contracts – Principles of utmost good faith – Insurable interest – Life insurance policy application and process – Proposal form and related documents.

Unit 3: Introduction to Life Insurance Products: Plans of Life Insurance:

Different types of life insurance plans – Term Plan –Endowment Plan – Money Back Insurance Plan – Whole-Life Insurance Plan – Unit Linked Insurance Plans (ULIPs) – Joint Life Insurance Plans – Child Insurance Plans – Rider benefits – Industrial life insurance – MWP Policies – Keyman insurance – Health insurance and its types, Retirement Plans, *ANNUITIES*: Understand the concept of annuity – Different types of annuity plans – Advantages and disadvantages of annuity – Annuity Vs Life Insurance – Important terms used in annuity *GROUP INSURANCE*: Importance of group insurance schemes – Main features of group insurance schemes – Eligibility conditions in group insurance – Different types of group insurance schemes – Group Term Insurance Scheme – Group Gratuity Scheme – Group Superannuation scheme – Types of group superannuation schemes – Group Leave Encashment scheme – Employees Deposit – Linked insurance Scheme – Group Insurance Scheme in-lieu of EDLI – Social Security Scheme. *LINKED LIFE INSURANCE POLICIES*: Concept of Unit-linked policies – ULIP premium and its break-up – Types of funds in ULIPS – Traditional plans Vs ULIPS – How ULIPS work – Top Up & NAV – Features of ULIPS – Revival of ULIPS – IRDA guidelines on ULIPS.

Unit 4: Principles Of Life Insurance: Premiums And Bonuses: Concept of premium – Different types of premium – Different factors considered in calculating premium – Bonus in policies – Different types of bonus in life insurance policies. Determination of Premiums – Premiums and Price – Elements of Premium – Mortality – The Mortality Table – Standard Mortality Table – Calculation of Mortality Costs – Interest - Future and Present Value of Annuity – The Net Premium – Net single Premium – Net Level Annual Premium – Gross Premiums – Reasons for Loading – Loading for Expenses – Loading for contingencies – Bonus Loading.

Unit 5: Claims Management: Life Insurance Policy Evaluation, Policy conditions affecting claims, Different types of policy claims – Survival Benefits – Death Claims – Maturity Claims –

Submission of Proof of title at claim processing stage – Early Claims & Non –early claims – Documents required for processing early claims – Death due to un-natural causes or accidents – Nomination – Assignment – Waiver of evidence of title – Claims Concession Clause and Extended Claims Concession Clause – Presumption of Death – Insurance Riders – Accidental Death Benefit rider – Permanent Death Benefit Rider – IRDA regulations w.r.t Claim payments, - Assessment of loss – Under Insured depreciation, Salvage & excess, - Role of Surveyor

. References:

- Life and Health Insurance – Herald Skipper Jr. and Kenneth Black Jr., Pheipe –Pearson Education.
- Economics of Life Insurance – S. S. Hubebuer.
- Life Insurance – The Institute of Certified Risk and Insurance Managers.

PAPER IV: RISK MANAGEMENT

Unit 1: Introduction to Risk: Risk and Uncertainty, Classification of risks, Risk, peril and hazard, Cost of Risk, Methods of Handling Risk; Risk Management, Nature, Development, Scope, Definition, Objectives; Personal v/s Corporate Risk Management, Corporate Risk Objectives, Attitude and Philosophy. Risk Management Organization and Role of Risk Manager. Risk Management Process; Aggregated or Disaggregated Risk Management; Enterprise-wide approach; Introduction to Enterprise Risk Management; Risk Management and shareholder value.

Unit 2: Risk Identification and Evaluation: Risk Identification and Evaluation of Internal and External Risk Exposures and Operative Causes; Risk Evaluation. Statistical concepts involved. Probability Theory and Probability distribution, Measures of Central tendency and dispersion. Law of large Numbers, Statistical Inference; Graphical presentation of Data; Risk Evaluation, Assessing probability and severity factors, Application of statistical concepts, Probable Maximum Loss.

Unit3: Risk Control and Risk Financing: Loss Prevention, Loss Prevention, Loss Minimization, Diversification, Optimal Loss control, Contingency Planning; Statutory provisions on Risk control, Human factor in Risk Control, Training, Fire Protection and Extinguishing systems, Surveyor's role in loss prevention, Mutual Aid Schemes; Economics of Risk Financing; Techniques, Financial Position of the organization, External factors affecting Risk Financing.

Unit4: Risk Transfer. Transfer of activity and transfer of Risk. Insurance as a Risk Transfer tool, Benefits and limitations of insurance, Pooling arrangements; Alternative Risk Transfer. Why ART? Characteristics of ART techniques, ART Tools, Loss Sensitive Contracts, Captive Insurers, Multi-line and Multi-trigger policies, Contingent financing arrangements, Structured debt instruments, CAT Bonds, Weather Derivatives and Venture capital arrangements.

Unit 5: Risk Retention. Benefits of Retention; Determinants of Retention Policy; Guidelines for Optimal Retention

References:

- 1) Williams, Arthur; "Risk Management and Insurance; McGraw Hill.
- 2) Vaubhan J, Emmet; "Fundamentals of Risk and Insurance Wiley Publications.
- 3) Harrington; "Risk Management and Insurance; McGraw Hill.

SEMESTER-II

PAPER – V: INVESTMENT MANAGEMENT

Unit:1 Introduction: Introduction to Investment, Investment vs. Speculation, Investment vs. Gambling, Investment Objectives, Investment Attributes, Investment Process, Security Analysis vs. Portfolio Management, Portfolio Management Process; Nature of Financial Markets- An Overview, Investment Alternatives: Non-Marketable Financial Assets, Money Market Instruments, Fixed Income Securities, Equity Shares, Preference Shares, Debentures, Precious Objects, Mutual Funds

Unit:2 Financial Markets:

- **An Introduction:** Meaning, Nature and Role of Financial System; Financial Markets as a component of Financial System; Financial system and Economic Growth; Financial System Designs: Bank - based and Market-based.
- **Money Market:** Meaning, Characteristics and Functions of Money Market; Intermediaries in the Money Market; Development of Money Market in India; Money Market Instruments: Treasury Bills, Commercial Paper; Certificate of Deposit; Commercial Bills; Collateralized Borrowing and Lending Obligation; Call Money Market and Term Money Market.
- **Capital Market:** Meaning, Functions and Types of Capital Market; Reforms in the Capital market; Intermediaries; Issue Mechanisms; Types of Primary Issues: Public, Rights and Private Placement; Resource Mobilization from International Capital Markets: ADRs, GDRs and ECBs; Primary Market Scenario in India; Debt Market: Private Corporate and government securities market.; Functions of the Secondary Market;; Organization, Management and Membership of Stock Exchanges; Listing of Securities; Trading Arrangements; Stock Market Index; Functions of Stock Exchanges, Role of SEBI as a Regulatory Body
- **Derivatives and Their Valuation:** Introduction to Derivatives, Financial Derivatives: Risk-Return Characteristics of these instruments, Corporate Investments Hedging Instruments : Forward Contracts, Futures Contracts, Forward/Futures Contracts, Options, Types of Options, Concept of Basis in Futures Market, Hedge Ratios, Warrants, Swaps, Valuation of these Instruments.

Unit: 3 Security Analysis: Markets for Securities, Measuring Security Risk and Return, Components of Risk and Return, Equity Valuation: Fundamental Analysis: Economic, Industry and Company Analysis, Estimating Intrinsic Value of a Security, Efficient Market Hypothesis, Different Forms of EMH and Their Empirical Tests, Technical Analysis: Charting Tools, Market Indicators, Dow Theory, Elliot Wave Theory, Random Walk Theory

Unit: 4 Introduction to Portfolio Management: Traditional Vs. Modern Portfolio Theories, Measuring Risk and Return of a Portfolio, Portfolio Analysis, Portfolio Diversification, Constructing an Optimal Portfolio: Markowitz Model, Sharpe's Single Index Model,
Portfolio Performance Evaluation: Equity Portfolio Management; Bond Portfolio Management; Individual Portfolio Management; Portfolio Performance Evaluation Measures; Overview of Securities Market Report.

Unit: 5 Asset Pricing Models: Capital Market Theory: Efficient Frontier, CML, SML, Capital Asset Pricing Model, Arbitrage Pricing Theory, Comparison and Empirical Applications of these Models.

Reference:

- 1) Fischer, Donald E and Jordon, Ronald J., Security Analysis and Portfolio Management; Prentice Hall India; New Delhi.
- 2) Bhall; Investment Analysis, S.Chand and Co., Delhi.
- 3) Clark, Frunk J. Management of Investments, McGraw Hill.
- 4) Fabozz, Frunk J. Investment Management Prentice Hall, International Edition, New York.
- 5) Avadhani, V. A.: "Securities Analysis and Portfolio Management" Himalaya Publishing House.
- 6) Pandian Punithavathy: "Securities Analysis and Portfolio Management" Vikas Publishing House.
- 7) Bharati V. Pathak, "Indian Financial System" 3rd Edition, Pearson Education.
- 8) Indian Financial System: M.Y.Khan, Sixth Edition, McGraw Hill.
- 9) Financial Markets & Institutions: L.M.Bhole
- 10) M.Y.Khan, "Indian Financial System", McGraw Hill, 6th Edition.
- 11) Machiraju, H.R., "Indian Financial System", Economic Times.

PAPER – VI - MARKETING OF FINANCIAL SERVICES

Unit 1: Basics of Marketing:

Understanding Marketing management and Marketing Environment: nature and scope of Marketing management; company orientation towards the market place; basics of services marketing; Understanding consumer behavior & identifying market segments & dealing with competition , branding: creating customer value & satisfaction; factors influencing consumer behavior and buying process of financial services.

Unit2: Financial Services:

Meaning and need for financial services; Financial Services as a component of financial system; Types of Financial Services, Depositories and Custodians; Credit Rating; Factoring and Forfeiting, Lease and Hire Purchase; **Investment Banking:** Investment Banks: Functions and Types of Investment Banks; Investment Banking Services; Merchant Banking Services; Housing Finance: Role of Housing and Housing Finance in the Economy; Policy initiatives and measures to develop housing finance in India; Housing , Reverse Mortgage Loan .**Banking and Non-Banking Services:** Importance and Functions of Banks; Development of Banking in India; Scheduled Commercial Banks; Mobilization, Lending and Investment of Funds by Banks; Origin and development of insurance, types of insurance, General health and life. **Mutual Funds:** Meaning, Concepts of Mutual Funds; Growth of mutual fund Industry in India; Organization of a mutual fund; Types of mutual funds schemes; Role of Intermediaries and marketing of mutual funds; Methods of investing in a mutual fund scheme;

Unit 3 Marketing of Financial Services:

Need and scope of marketing of financial services User of financial services and their behavior; Market segmentation and mix of financial services, Dealing with product – life cycle , new product development, classification, service as a product, pricing product , product life cycle ; new products – need , scope and importance & new product development process , pricing, managing service quality of financial services; Financial engineering and marketing of services, Advertising and promotion of financial services, Customer Relationship Management and Marketing; Marketing strategies for various financial services.

Unit 4: Distribution and Promotion of Financial Services:

Distribution channels in financial services, Behavioral Aspects:

- a) Motivation
- b) Moral
- d) Persuasive skills
- e) Analytical Liability
- f) Behavior with others

Unit 5: Communication Skills

Importance and benefits of effective communication in financial service industry, components of communication; role of verbal & non-verbal Symbols in communication; communication barriers, strategies for successful listening and speaking skills

Reference:

- 1) Kotler, Philip; Marketing Management, Pearson Education
- 2) Avadhani, V.A., Marketing of Financial Services, Himalaya Publishers.
- 3) Pezzullo, Marketing Financial Services, MacMillan India.
- 4) Bharati V. Pathak, "Indian Financial System" 3rd Edition, Pearson Education.
- 5) Indian Financial System: M.Y.Khan, Sixth Edition, McGraw Hill.
- 6) Financial Markets & Institutions: L.M.Bhole
- 7) M.Y.Khan, "Indian Financial System", McGraw Hill, 6th Edition.
- 8) Machiraju, H.R., "Indian Financial System", Economic Times.
- 9) Marketing of Financial Services by Dr Dhananjay Bapat, Biztantra Publications

PAPER –VII : NON-LIFE INSURANCE

Unit 1: Introduction to General Insurance: The Insurance Act 1938 – Insurance Regulatory & Development Authority (IRDA) Act 1999 – General Insurance Councils – Amendments to Life Insurance Corporation Act 1956 – Amendments to General Insurance Business (Nationalisation) Act regulations issued by IRDA – Motor Vehicles Act 1988 – Other Acts – Exchange Control Regulations – Consumer Protection Act 1986 – Insurance Ombudsman, Market – Statutes & Regulations that affect conduct of business in India, Policy Documents & Forms: Proposal Forms – Cover Notes – Certificate of Insurance – Policy Forms – Endorsements – Interpretation of policies – Co-insurance – Standard policies.

Unit 2: Principles of General Insurance: Utmost Good Faith, Insurable Interest, Indemnity, Subrogation, Contribution and Proximate cause. Policies in General Insurance; - Proposal Form, Policy Drafting Products – Fire Insurance, Motor Insurance & Health Insurance, Reinsurance: - Need characteristics & economics of reinsurance, - Types of reinsurance contracts.

Unit 3: General Insurance Products: Risks faced by the owner of assets – exposure to perils – features of products covering fire and allied perils – products covering marine and transit risks – products covering financial losses due to accidents – products covering financial losses due hospitalization – products covering miscellaneous risks. **Fire & Marine Insurance Coverages:** Fire insurance Coverages – Marine insurance Coverages – Types of Marine insurance policies – Duty & increased value insurance, **Miscellaneous Coverages:** Motor insurance – Liability only policy – Package policy – Personal Accident insurance – health insurance – Burglary insurance – Baggage insurance – Legal Liability insurance – Public & Product Liability insurances – Professional Indemnity insurance – Workmen’s Compensation insurance – Fidelity Guarantee insurance – Banker’s Indemnity insurance – Carrier’s Legal Liability insurance – Jewelers’ Block insurance – Composite policies – Aviation insurance – Engineering insurance – Rural insurances – Micro insurance, **Specialized Insurances:** Industrial All Risks insurance – Advance Loss of Profits insurance – Oil & Energy Risks insurance – Satellite insurance.

Unit 4: Rating and Underwriting: Classification of risks – Discrimination – Bonus/Malus – Claims cost – Acquisition cost – Management expenses – Classification of products – Premium – Short period scales – Failure of consideration – Refund / return of premium – Advance payment of premium, Underwriting: Objectives and approach – Underwriting policy – Class Rated Products – Individually Rated Products – Filing of products – Role of Actuary – Compliance officer – Underwriting Practice in different classes of insurance – Moral hazard – Underwriting of physical hazards – Declined risks – Risk inspections – Risk Management – Insurer’s role in risk management – Documentation procedure – Renewal procedure – Customer service – IRDA Regulation Protection of Policyholder’s Interest, Detarrifing of general insurance products.

Unit 5: Claims Management : Claims: Preliminary procedure – Loss minimization – Procedure – Claims form – Investigation & assessment – Surveyors and loss assessors – Claims documents – Arbitration – Discharge vouchers – Post settlement actions – Recoveries – Salvage & loss minimization – In – house settlement – Policy conditions affecting claims, Assessment of loss – Under Insured depreciation, Salvage & excess, Role of Surveyor

References:

- General Insurance, John Magee & David Bicklhaupt
- Operational Transformation of General Insurance Industry during the period 1950 to 1990 & Beyond, R. D. Samarth
- Study on Distribution Functions in General Insurance & Role of Intermediaries, Arun Agarwal / P R Rao
- General Insurance for Information Technology Professionals, Martin Frappoli.
- General Insurance – The Institute of Certified Risk and Insurance Managers.

PAPER – VIII - REGULATION OF FINANCIAL MARKETS AND SERVICES

Unit 1: Regulatory framework of financial markets and services.

Unit2: SEBI as a Capital Market Regulator, Consumer Protection Act, 1986.

Unit 3: Regulation of Insurance Business.

Unit 4: IRDA Regulations.

- IRDA (Insurance Advertisement & Disclosure) Regulations
- IRDA (Licensing of Insurance Agent's) Regulations
- IRDA (Assets, Liabilities & Solvency Margin of Insurance) Regulations
- IRDA (Protection of Policy holders' Interest) Regulations
- IRDA (Insurance Brokers) Regulations
- Redressal of Public Grievances Rules

Unit 5: Insurance Contract and the Insurance Act, 1938.

References:

- 1) SEBI Manual
- 2) IRDA Reports
- 3) Manual of Insurance Laws, Ravi Palani, Bharat – Taxmann Allied Services Pvt. Ltd.
- 4) New Insurance Laws, Brijnandan Singh – The University Book Agency, Allahabad.
- 5) Handbook of Insurance Laws; Kumar; Law Publishers.

Project Report(Dissertation)

P.G.D.F.M.I.

PROJECT - WORK

List of SUGGESTED TOPICS (In addition to any other topic selected in consultation with the respective guide):

- 1) Insurance Industry in India: Growth, Prospects and Challenges
- 2) Performance Evaluation of LIC
- 3) Comparative study of Financial Performance and Growth of LIC vs. Private Sector Life Insurance Companies
- 4) Marketing Strategies for Life Insurance
- 5) Marketing Strategies of Non-Life Insurance
- 6) Performance Evaluation of a Non-Life Insurance Company
- 7) An Empirical study of Bank Assurance
- 8) Concept of Reinsurance in India: Its Relevance Indian Insurance Sector
- 9) Role of IRDA in Regulating Insurance Industry: Recent Regulations and their possible Impacts
- 10) Growth of any one Type of Non-life Insurance sector in India
- 11) An Empirical study of ULIP
- 12) An Empirical study of popularity of Mediclaim and Personal Accident Policies
- 13) A comparative study of various Plans of LIC
- 14) A study on Public Grievances for a private sector Insurance company
- 15) Demand Forecasting for a particular Insurance Policy