CBCS SCHEME

USN

20MBAFM401

Fourth Semester MBA Degree Examination, July/August 2022
Risk Management and Insurance

Time: 3 hrs. Max. Marks:100

Note: ***1. Answer any FOUR full questions from Q1 to Q7.***
2. Question No.8 is compulsory.

1	a.	What is Sovereignty risk?	(03 Marks)
	b.	Discuss the steps of decision making in risk management.	(07 Marks)
	c.	Explain the various types of risk.	(10 Marks)
2	a.	Explain the difference between static and dynamic risk.	(03 Marks)
	b.	Explain the risk management process.	(07 Marks)
	c.	Explain the method of handling the risk.	(10 Marks)
3	a.	What is third party liability in motor insurance?	(03 Marks)
	b.	Explain the general principles of Insurance Contract.	(07 Marks)
	c.	Write briefly about IRDA Act, 1999.	(10 Marks)
4	a.	What is convertible whole life insurance policy?	(03 Marks)
	b.	Explain the classification of life insurance.	(07 Marks)
	c.	Write about GIC.	(10 Marks)
5	a.	What is floating policy under fire insurance?	(03 Marks)
	b.	Explain the types of fire insurance.	(07 Marks)
	c.	Explain the claim settlement in life insurance.	(10 Marks)
6	a.	What are the functions of Actuary in life insurance?	(03 Marks)
	b.	Explain underwriting process in life and non life insurance.	(07 Marks)
	c.	Explain the clauses of marine insurance policy.	(10 Marks)
7	a.	What is ULIP?	(03 Marks)
	b.	What are the business functions of insurance organization?	(07 Marks)
	c.	Write the scope of insurance companies in India.	(10 Marks)

8 CASE STUDY :

Subhash Gupta an entrepreneur aged 40 recently settled down in Delhi with his wife, 2 children and dependent mother. Two years back, he had established a beverage manufacturing company in Haryana. Now he wants to set up a systematic risk management department in his company. The manufacturing unit needs to perform Sarbanes – Oxley Act of 2002 management testing. Its decentralised environment with lack of standardization led to the risk of non-compliance. He wants to rectify the same. He is also planning for purchasing a warehouse facility and by next year to go for exporting.

a. Recommend the solution for the risk management team and methods to identify the existing and future risk exposure. (10 Marks)

b. Recommend the best policies (insurance) Mr. Gupta need to have personally. (10 Marks)

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Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.
2. Any revealing of identification, appeal to evaluator and /or equations written eg, 42+8 = 50, will be treated as malpractice.

CMR INSTITUTE OF TECHNOLOGY, BENGALURU

Sub:	**Risk Management and Insurance**							Code: **20MBAFM401**
Date:	**July/Aug-2022**	Duration:	**3 Hr**	Max Marks:	**100**	Sem:	**IV**	Branch: **MBA**

Note: 1. Answer any Four Full Questions from *Q1 to Q7*
2. Question No. 8 is Compulsory.

1(a) What is sovereignty risk? - 3M

Sovereign risk', or country risk, is **the risk that a government could default on its debt (sovereign debt) or other obligations**. It is also, the risk generally associated with investing in a particular country, or providing funds to its government.

(b) Discuss the steps of decision making in risk management. – 7M

Five Essential Steps of A Risk Management Process:

1. Identify the Risk
2. Analyze the Risk
3. Evaluate or Rank the Risk
4. Treat the Risk
5. Monitor and Review the Risk

(c) Explain the various types of risk. - 10M

Types of Risk:

There are two different types of risk: **systematic risk** and **unsystematic risk.**

Systematic risk is volatility caused by factors in the economic system that affect all investments resulting in either losses or gains. For example, the risk of higher oil prices is a Systematic risk factor. Higher oil prices affect transportation costs, which in turn, affects the price of almost everything else in the economy. Higher oil prices result in losses for car rental firms, trucking firms, shipping firms, and airlines. They cause higher prices for food (all of which is transported from where it is grown to where it is sold to consumers), and raw materials for manufacturers which leads to higher prices for finished goods. Since consumers must pay higher prices for fuel, they have less money to spend on other consumer items which produce losses for firms supplying these products. Since higher oil prices raise the prices of everything else, and since consumption drives about 66% of the U.S. GDP, higher oil prices cause the entire economy to slow down.

The systematic risk goes by three other names: undiversifiable risk, portfolio risk, and market risk.

The other type of risk associated with investing is called unsystematic risk. Unsystematic risk has two other names: firm-specific risk and diversifiable risk.

Unsystematic risk is the variability of returns (risk) caused by factors associated with a particular firm. Examples include the risk of bad or fraudulent management, the risk of a plant fire, a labor strike, or a lawsuit. These risk factors are not likely to be present in all the firms in a portfolio at the same time. Some firms will have them and some won't. An investor holding a well-diversified portfolio (investments in firms in different industries and locations) will not be concerned with unsystematic risk. For example, consider the quality of management. Some of the firms in a portfolio will have good managers and some will have poor managers. The net effect on the return of the portfolio will be nil. In effect, investors can diversify away from the risk posed by bad managers. The same is true for the other factors causing unsystematic risk.

– Economic
– Natural
– Human

– **Economic**

These risks occur from changes in overall business conditions.

This can include:

Amount or type of competitor(s)
Changing consumer lifestyle

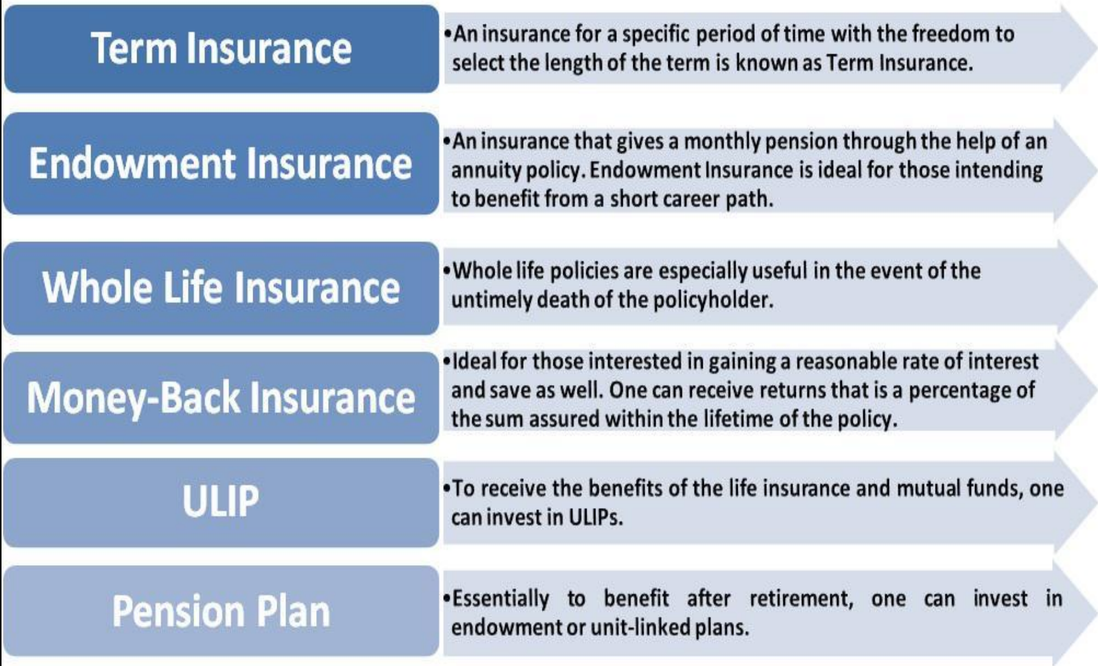
	Population changes Government regulations Inflation Recession **Natural Risks** –Natural risks result from natural disasters or disruptions Floods Tornadoes Hurricanes Fires Droughts Lightning Earthquakes Even sudden abnormal weather conditions. **Human Risks** –These are caused by human mistakes and errors, as well as the unpredictability of customers, employees, or the work environment. This could include: Theft Injury on the Job Bad Checks Employee Error Negligence Incompetence
2(a)	**Explain the difference between static and dynamic risk. -3M** **Difference between dynamic risk and static risk**

Static Risk	Dynamic Risk
Most static risks are pure risks	They are mainly speculative risks.
They are easily predictable	They are not easily predictable
The society derives no benefit or gain from static risk. Static risks are always harmful.	The society derives some benefits from dynamic risk.
Static risks are present in an unchanging economy.	Dynamic risks are only present in a changing economy
Static risks affect only individuals or very few individuals.	Dynamic risk affect large number of Individuals.

(b)	**Explain the risk management process. – 7M** Risk Management is defined in the standard (AS/NZS 4360:2004) as "the systematic application of management policies, procedures, and practices to the tasks of establishing the context, identifying, analyzing, assessing, treating, monitoring and communicating". It is an iterative process that, with each cycle, can contribute progressively to organizational improvement by providing management with a greater insight into risks and their impact.

	Risk management can be applied to all levels of an organization, in both the strategic and operational contexts, to specific projects, decisions and recognized risk areas. Risk is defined as 'the chance of something happening that will have an impact on objectives'. It is, therefore, important to understand what the objectives of the University, Faculty, work unit or your position, are, before attempting to analyze the risks. **A Simple Process** Risk analysis is best done in a group with each member of the group having a good understanding of the tasks and objectives of the area being analyzed. **Identify the Risks:** As a group, list the things that might inhibit your ability to meet your objectives. You can even look at the things that would enhance your ability to meet those objectives e.g. A fund-raising Commercial opportunity. These are the risks that you face e.g. Loss of a key team member; prolonged IT network outage; delayed provision of important information by another work unit/individual; failure to seize a Commercial opportunity etc. **Identify the Causes:** Try to identify what might cause these things to occur eg. the key team member might be disillusioned with his/her position, might be head-hunted to go elsewhere; the person upon whom you are relying for information might be very busy, going on leave or notoriously slow in supplying such data; the supervisor required to approve the commercial undertaking might be risk-averse and need extra convincing before taking the risk, etc. **Identify the Controls:** Identify all the things (Controls) that you have in place that is aimedat reducing the Likelihood of your risks from happening in the first place and, if they do happen, what you have in place to reduce their impact (Consequence) eg. providing a friendly work environment for your team; multi-skill across the team to reduce the reliance on one person; stress the need for the required information to be supplied promptly; send a reminder before the deadline; provide additional information to the supervisor before he/she asks for it etc. **Establish your Likelihood and Consequence Descriptors**: Remembering that these depend upon the context of your analysis ie. if your analysis relates to your work unit, any financial loss or loss of a key staff member, for example, will have a greater impact on that work unit than it will have on the University as a whole so those descriptors used for the whole- of-University (strategic) context will generally not be appropriate for the Faculty, other work unit or the individual eg. a loss of $300000 might be considered Insignificant to the University, but it could very well be Catastrophic to your work unit. You will need to establish these parameters in consultation with the Head of the work unit. **Establish you're Risk Rating Descriptor:** i.e. what is meant by a Low, Moderate, High or Extreme Risk needs to be decided upon ahead of time. Because these are more generic in terminology though, you might find that the University's Strategic Risk Rating Descriptors areapplicable.
(c)	**Explain the method of handling the risk. -10M** **There are five basic techniques of risk management:** 1. Avoidance. 2. Retention. 3. Spreading. 4. Loss Prevention and Reduction. 5. Transfer (through Insurance and Contracts)
3(a)	**What is third party liability in motor insurance? -3M** Third-party liability insurance is a type of policy under which the insurance company offers cover for the insured against legal liabilities that arise due to the loss/damage caused by them to a third person's body or their property.
(b)	**Explain the general principles of insurance contract. -7M** **Principles of Insurance:** The concept of insurance is risk distribution among a group of people. Hence, cooperation becomes the basic principle of insurance. To ensure the proper functioning of an insurance contract, the insurer and the insured have to uphold the 7 principles of Insurances mentioned below: 1. Utmost Good Faith 2. Proximate Cause

	3. Insurable Interest 4. Indemnity 5. Subrogation 6. Contribution 7. Loss Minimization
(c)	**Write briefly about IRDA Act, 1999. -10M** IRDA or Insurance Regulatory and Development Authority of India is the apex body that supervises and regulates the insurance sector in India. The primary purpose of IRDA is to safeguard the interest of the policyholders and ensure the growth of insurance in the country. When it comes to regulating the insurance industry, IRDA not only looks over the life insurance, but also **general insurance** companies operating within the country. **What are the functions of IRDA?** As discussed above, the primary objective of the Insurance Regulatory and Development Authority of India is to ensure the implementation of provisions as mentioned in the Insurance Act. This can be further understood by its mission statement which is as follows- • To safeguard the policyholder's interest while ensuring a fair and just treatment. • To have a fair regulation of the insurance industry while ensuring financial soundness of the applicable laws and regulations. • To frame regulations periodically so that there is no ambiguity in the insurance industry. **What is the role and importance of IRDA in the insurance sector?** India began to witness the concept of insurance through a formal channel back in the 1800s and has seen a positive improvement ever since. This was further supported by the regulatory body that streamlined various laws and brought about the necessary amendment in the interest of the policyholders. Below mentioned are the important roles of IRDA - • First and foremost is safeguarding the policyholder's interest. • Improve the rate at which the insurance industry is growing in an organized manner to benefit the common man. • To ensure the dealing are carried on in a fair, integral manner along with financial soundness keeping in mind the competence of the insurance company. • To ensure faster and a hassle-free settlement of genuine insurance claims. • To address the grievances of the policyholder through a proper channel. • To avoid malpractices and prevent fraud. • To promote fairness, transparency and oversee the conduct of insurance companies in the financial markets. • To form a reliable management system with high standards of financial stability.
4(a)	**What is convertible whole life insurance policy? -3M** Convertible insurance is a type of life insurance that **allows the policy owner to change a term policy into a whole or universal policy without going through the health qualification process again**.
(b)	**Explain the classification of life insurance. -7M**



(c) **Write about GIC. -10M**

The entire general insurance business in India was nationalised by General Insurance Business (Nationalisation) Act, 1972 (GIBNA).

The Government of India (GOI), through Nationalization took over the shares of 55 Indian insurance companies and the undertakings of 52 insurers carrying on general insurance business.

General Insurance Corporation of India (GIC) was formed in pursuance of Section 9(1) of GIBNA.

It was incorporated on 22 November 1972 under the Companies Act, 1956 as a private company limited by shares.

GIC was formed for the purpose of superintending, controlling and carrying on the business of general insurance.

As soon as GIC was formed, GOI transferred all the shares it held of the general insurance companies to GIC.

Simultaneously, the nationalized undertakings were transferred to Indian insurance companies.

After a process of mergers among Indian insurance companies, four companies were left as fully owned subsidiary companies of GIC

National Insurance Company Limited.
The New India Assurance Company Limited.
The Oriental Insurance Company Limited.
United India Insurance Company Limited.

The next landmark happened on 19th April 2000, when the Insurance Regulatory and Development Authority Act, 1999 (IRDAA) came into force.

This Act also introduced amendment to GIBNA and the Insurance Act, 1938. An amendment to GIBNA removed the exclusive privilege of GIC and its subsidiaries carrying on general insurance in India.

In November 2000, GIC was renotified as the Indian Reinsurer and through administrative instruction, its supervisory role over the four subsidiaries was ended.

With the General Insurance Business (Nationalisation) Amendment Act 2002 (40 of 2002) coming into force from March 21, 2003; GIC ceased to be a holding company of its subsidiaries.

The ownership of the four erstwhile subsidiary companies and also of the General Insurance Corporation of India was vested with Government of India.

Objective of the GIC

- To carry on the general insurance business other than life, such as accident, fire etc.
- To aid and achieve the subsidiaries to conduct the insurance business and
- To help the conduct of investment strategies of the subsidiaries in an efficient and productive manner.

Role and Functions of GIC

- Carrying on of any part of the general insurance, if it thinks it is desirable to do so.
- Aiding, assisting and advising the acquiring companies in the matter of setting up of standards of conduct and sound practice in general insurance business.
- Rendering efficient services to policy holders of general insurance.
- Advising the acquiring companies in the matter of controlling their expenses including the payment of commission and other expenses.

	• Advising the acquiring companies in the matter of investing their fund. • Issuing directives to the acquiring companies in relation to the conduct of general insurance business. • Issuing directions and encouraging competition among the acquiring companies in order to render their services more efficiently.
5(a)	**What is floating policy under fire insurance? -3M** Floating policy is **a policy which covers loss by fire caused to property belonging to the same person but located at different places under a single sum and for one premium**. Such a policy might cover goods lying in two warehouses at two different locations. This policy is always subject to 'average clause'.
(b)	**Explain the types of fire insurance. -7M** ***Types of Fire Insurance Policies;*** 1. Valued Policy. 2. Valuable Policy. 3. Specific Policy. 4. Floating Policy. 5. Average Policy. 6. Excess Policy. 7. Declaration Policy. 8. Adjustable Policy. 9. Maximum Value of Discount Policy.
(c)	**Explain the claim settlement in life insurance. -10M** Selection of the right policy from a good life insurance company with a healthy claim settlement ratio is the main requirement for buying a life insurance. The main function of an insurance company is to ensure easy and timely settlement of a valid claim in return for the premium paid by the insurer/ policy holder. **Before intimating the insurance company, the nominee/claimant should check some basic facts:** • If the insurance policy is active and all the premiums have been paid? • Does the particular situation for which the claim is being made is covered in the policy? • Exclusions of the policy **Formalities for a death claim** • When a person with a life insurance policy – called a life assured – dies, a claim intimation should be sent to the insurance company as early as possible. The assignee or nominee under the policy can do this. So can any close relative or the agent who handles the policy. • The claim intimation should contain information like the date, place and cause of death. The insurance agent has the duty to help the life assured's family/ assignee to deal with the insurance company to fulfil the formalities for a claim. The insurance company will respond to this intimation and will ask for the following documents: • Filled-up claim form (provided by the insurance company) • Certificate of death • Policy document • Deeds of assignments/ re-assignments if any • Legal evidence of title, if the policy is not assigned or nominated • Form of discharge executed and witnessed Other documents such as medical attendant's certificate, hospital certificate, employer's certificate, police inquest report, post mortem report etc could be called for, as applicable. C**laims procedure in respect of a life insurance policy:** • A life insurance policy shall state the primary documents which are normally required to be submitted by a claimant in support of a claim. • A life insurance company, upon receiving a claim, shall process the claim without delay. Any queries or requirement of additional documents, to the extent possible**, shall be raised all at once and** not in a piece-meal manner, within a period of 15 days of the receipt of the claim. • A claim under a life policy shall be paid or be disputed giving all the relevant reasons, within

	30 days from the date of receipt of all relevant papers and clarifications required. However, where the circumstances of a claim warrant an investigation in the opinion of the insurance company, it shall initiate and complete such investigation at the earliest. Where in the opinion of the insurance company the circumstances of a claim warrant an investigation, it shall initiate and complete such investigation at the earliest, in any case not later than 6 months from the time of lodging the claim. • Subject to the provisions of section 47 of the Act, where a claim is ready for payment but the payment cannot be made due to any reasons of a proper identification of the payee, the life insurer shall hold the amount for the benefit of the payee and such an amount shall earn interest at the rate applicable to a savings bank account with a scheduled bank (effective from 30 days following the submission of all papers and information). Where there is a delay on the part of the insurer in processing a claim for a reason other than the one covered by sub-regulation (4), the life insurance company shall pay interest on the claim amount at a rate which is 2% above the bank rate prevalent at the beginning of the financial year in which the claim is reviewed by it.
6(a)	**What are the functions of actuary in life insurance? -3M** It is desirable for insurance companies to create such plans that carry the least amount of risk and also produce steady profits. A vital function for actuaries in life insurance. The following points would help to clarify the importance. • Pricing, Designing, and Review of the Product • Revising Assumptions • Experience Analysis and Reporting • Asset-Liability Management (ALM) • Actuarial Valuation • Profit Testing
(b)	**Explain the underwriting process in life and non-life insurance. -7M** Underwriting is a term used to describe the consideration given to a life insurance application, to determine whether a policy applied for should be issued or there are changes to be made depending on the person's risk profile. The process helps in the selection of risks for the insurance company involved in issuance of an insurance policy to the person in question. **Life Insurance Underwriting Process** The most important underwriting tools include the Proposal Form, Age Proof, Income Documents, Questionnaires Sales Report and a Client Confidential Report (CCR). These tools are used to implement the following process: **Step 1: Application Quality Check** Your application is first gone through to make sure the information provided is complete and correct. Therefore, it is important you fill your proposal form carefully and completely. Unless the missing information is related to your medical history, a minor change required in an application does not typically slow down the underwriting process. After this, your application goes into the official underwriting process. Each of the following checks can increase the turnaround time, but it is worth it to get you the right premium price you will need to pay over the policy term. **Step2: Medical Examination** This step involves looking thoroughly at the results of your paramedical exam, conducted only if required for health proof. This medical test is a simple checkup with the doctor recommended by the insurance company. After the medical examination, the results are sent to the underwriter for evaluation. The information used by the underwriter is mainly of three types – basic measurements, your blood test and drug test. Basic measurements include regular metrics like height, weight, blood pressure. Blood test can get a lot of information on potential health risks such as heart disease, stroke, diabetes, and blood-borne illnesses, among others. Finally, a urine test for a full drug panel will alert the underwriter to the use of drugs, smoking and alcohol consumption. **Step 3: Final Application Rating** Once the underwriting process is complete and all your medical and financial background have been

checked, you are either made a counter offer suggesting the changes basis you policy evaluation, or you are proudly offered the life insurance policy. Depending upon your acceptance or rejection of the new policy term, your policy is then issued. The whole process can take anywhere between three to eight weeks. After this, all that's left to be done is to confirm the premium rate, sign the policy to put it in force to keep your family protected.

While not every applicant will require a detailed medical examination, underwriters may sometimes request an inspection report, or independent information on the applicant's financial situation and lifestyle. The premium that you have to pay for your life insurance policy depends majorly on this evaluation done basis factors like your age, your medical history, gender, lifestyle, and job. However, you must remember that a life insurance policy should not be bought on the basis of lower premiums. While term insurance plans are usually known to have the lowest premiums, you can choose an insurance provider that offers a relatively higher implied investment return, a high death benefit and relatively lower surrender charges, along with a high claim settlement ratio.

Underwriting in Non-Life Insurance:

The underwriting of commercial, business insurances is a much more complicated and involve risk. Several sources of information are available to the underwriter regarding the hazards of commercial applicant for property and liability insurance:

1. **Application containing the insurance statements:** the basic source of underwriting information is the application, which varies for each line of insurance and for each type of coverage. The question on the application are designed to give the underwriter the information needed to decide whether to accept the exposure, reject it or ask for additional information.
2. **Information from the agent and brokers:** in some line of non life insurance, the agent may exercise his underwriting authority. For commercial insurances, the profit sharing contracts are also entered with the agents, whereby the agents derives a special incentives if the business brought by him resulted in a profit to the company.
3. **Prior experiences:** the past history of claims is also a source of information. In case of existing clients where the claim experience has been unfavorable, the insurance company I;e loads premium for new businesses or renewal of existing ones.
4. **Inspection:** Surveys are also conducted by the company's specialist/ consultants to find out the accuracy of information as contained in the proposal form.

(c) **Explain the clauses of marine insurance policy. -10M**

1. Valuation Clause:

The value of the subject is given in the clause. The value is agreed upon between both the parties. In case of loss or damage, the compensation will not exceed the amount given in the policy. If the value of the policy is to be decided at the time of loss, then this column is left blank.

2. 'At and From' Clause:

This clause refers to the time when risk commences. According to this clause the risk coverage starts when the ship is lying at the port of its departure and from the time it leaves the port. If insurance policy states the words, 'at and from Madras', it means the risk is covered when the ship is at Madras port and also when it leaves this port. This clause applies to Hull and Freight Insurance.

3. Sue and Labour Clause:

This clause enables the insured and the insurer in trying to save the subject- matter of insurance from any type of loss. If the insured spends some money in an attempt to save the goods from an impending loss, he can recover this amount from the insurer. The act of saving the subject-matter on minimising loss does not amount to deviation and the contract will not be void.

4. Warehouse to Warehouse Clause:

This clause covers the risk from the warehouse of the shipper or consignor to the warehouse at the destination. If the cargo is to be brought from the hinterland to the port, one marine policy will cover the risk at land and also at sea. The risk of taking goods to the port from sender's warehouse to the arrival of goods at the receiver's warehouse is covered. This clause saves the shipper from lot of troubles and he is sure of the safe arrival of the subject matter not only at the port but also at the warehouse.

5. Change of Voyage:

	The details of the voyage are mentioned in the policy. The ports of departure and arrival are mentioned in the policy. The route to be followed by the ship is also given. In case of any deviation, the insurer will be relieved of his liability. If the ship changes its original route and follows same route later on, it will be taken as deviation. The insurer will not be liable to indemnify the loss if the original route is changed. ***6. Touch and Stay Clause:*** The ship should go and stay only at those ports which are mentioned in the policy. In case the ports are not mentioned, then the ship should take the customary route and stay at the port coming on that route only. If the ship goes to any other port, it will amount to deviation. The calling at ports must be for justifiable reasons. ***7. Inchmaree Clause:*** Under this clause any loss caused by the negligence of the master or a crew member is also covered. The damage caused to the cargo in loading and unloading operations is also recoverable. This clause was inserted after a famous case involving a ship named 'Inchmare' in 1857. This ship was damaged by the negligence of the crew and the insured could not get the claim for damages because it was not covered under the 'perils of the sea'. Later on, underwriters included this clause in Marine Insurance. ***8. Jettison:*** It means throwing off certain cargo in order to lighten the load on a ship in emergency situations. It is necessitated to avoid a marine peril. The jettisoning must be done deliberately. The load to be thrown off is left to the master of the ship. The loss caused by jettisoning is covered under general clause. ***9. Memorandum Clause:*** Sometimes perishable goods are the subject-matter of insurance. The memorandum clause is used to save the insurer from paying small losses of perishable goods. Under this clause the insurer is not liable for partial losses. In certain commodities this loss is allowed up to 50%. However, if there is a general loss or the ship is stranded, the insurer will be liable to pay the loss.
7(a)	**What is ULIP? -3M** The full form of ULIP is Unit Linked Insurance Plan. A ULIP is an insurance plan that offers the dual benefit of investment to fulfil your long-term goals, and a life cover to financially protect your family in case of an unfortunate event. The premium paid towards a ULIP is divided into two parts. A part of it is contributed to your life cover, and the remaining is invested in the fund of your choice. You can choose to invest in equity, debt, or a combination of both funds as per your risk appetite and goals. This makes ULIPs an ideal investment option for you and your family's long-term goals.
(b)	**What are the business functions of insurance organization? -7M** ***Functions of an Insurance Company*** **1] Provides Reliability** The main function of insurance is that eliminates the uncertainty of an unexpected and sudden financial loss. This is one of the biggest worries of a business. Instead of this uncertainty, it provides the certainty of regular payment i.e. the premium to be paid. **2] Protection** Insurance does not reduce the risk of loss or damage that a company may suffer. But it provides a protection against such loss that a company may suffer. So at least the organisation does not suffer financial losses that debilitate their daily functioning. **3] Pooling of Risk** In insurance, all the policyholders pool their risks together. They all pay their premiums and if one of them suffers financial losses, then the payout comes from this fund. So the risk is shared between all of them. **4] Legal Requirements** In a lot of cases getting some form of insurance is actually required by the law of the land. Like for example when goods are in freight, or when you open a public space getting fire insurance may be a mandatory requirement. So an insurance company will help us fulfil these requirements. **5] Capital Formation** The pooled premiums of the policyholders help create a capital for the insurance company. This capital can then be invested in productive purposes that generate income for the company.

(c)	**Write the scope of insurance companies in India. -10M** Though LIC continues to dominate the Insurance sector in India, the introduction of the new private insurers will see a vibrant expansion and growth of both life and non-life sectors in 2017. The demands for new insurance policies with pocket-friendly premiums are sky high. Since the domestic economy cannot grow drastically, the insurance sector in India is controlled for a strong growth. With the increase in income and exponential growth of purchasing power as well as household savings, the insurance sector in India would introduce emerging trends like product innovation, multi-distribution, better claims management and regulatory trends in the Indian market. The government also strives hard to provide insurance to individuals in a below poverty line by introducing schemes like the • Pradhan Mantri Suraksha Bima Yojana (PMSBY), • Rashtriya Swasthya Bima Yojana (RSBY) and • Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY). Introduction of these schemes would help the lower and lower-middle income categories to utilize the new policies with lower premiums in India. With several regulatory changes in the insurance sector in India, the future looks pretty awesome and promising for the life insurance industry. This would further lead to a change in the way insurers take care of the business and engage proactively with its genuine buyers. Some demographic factors like the growing insurance awareness of the insurance, retirement planning, growing middle class and young insurable crowd will substantially increase the growth of the Insurance sector in India.

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