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Risk Management in Insurance Sector Project Report By Mr. Prashant S. Chirputkar T. Y. B. Com. Banking and Insurance Semester VI Ms. Firdaus Quadri Project Guide The Department of Banking and Insurance Sydenham College of Commerce and Economics, B — Road Churchgate, Mumbai — 400 020 2007-08 Declaration I Prashant S. Chirputkar student of T. Y. B. com (Banking & Insurance) Semester VI of Sydenham College of Commerce & Economics hereby declare that I have completed the project report entitled as Risk Management in Insurance Sector as compulsory requirement for partial fulfillment of passing the examination. I also declare that this project report is a result of genuine effort put in by me and that information contained therein is true and original to the best of my knowledge. Prashant S. Chirputkar Initials :- Place :- Mumbai Date :- September 23, 2008 Preface In the present industry scenario, the market dynamics are shifting rapidly and the risks are becoming increasingly more diverse. Effective risk management can improve safety, quality of risk and in turn increase business performance. For an insurance company, risk denotes the amount that may be at stake in the event of a loss. From the insurer’s perspective proper understanding and evaluation of the risk during acceptance phase is very crucial. Risk Management plays a vital role in the area of measuring, assessing the risk and developing strategies to manage it. Strategies include transferring the risk to another party, avoiding risks, reducing the negative effect of the risk and accepting some or all of the consequences of a particular risk. These aspects embrace the development of new materials; critical path design criteria; bigger and faster machines; the sophistication of electronic apparatus; the development of new civil and structural construction techniques; the formulation of new chemical procedures and formulae; and the like. The insurance industry has become more scientific in the quality of risk solutions being offered. An insurer always makes an effort to know the business activities of the insured minutely. Insurance companies provide financial protection to firms against the consequences of pure risks being taken and value added benefits in improvising the risk, which play a vital role in reduction of losses. At the same time the insured has become proactive in sharing details pertaining to both finance and risk management with insurers which helps better understanding of the risk. Place :- Mumbai Date :- September 23, 2008 Acknowledgement I am grateful to Ms Firdaus Quadri, my project Guide for giving me an opportunity to work on this subject. This project has helped me to understand the role of risk management in insurance environment in Indian scenario. It also has updated me with important concepts and latest information. Therefore I am also thankful to the University for providing such excellent subject in our educational project syllabus. And also to our beloved Principal Dr. M. B. Bhide under whose supervision we all study. Last but not the least I also would like to thank all our Professors, our College Librarian Smt. Swati Phadke, Mrs. Geeta Baloodi as well as my friends and family members who helped and supported me throughout this project Place :- Mumbai Date :- September 23, 2008 Certificate I Declaration II Preface III Acknowledgement IV 1. Introduction 1 a. Objectives 1 b. Sources of Data 1 c. Research Methodology 1 d. Chapter Scheme 2 2. Overview of Indian Insurance System a. Introduction 3 b. Meaning and Definition of Insurance 4-5 c. Characteristics of Insurance 5 3. Overview of Risks 6-14 4. Overview of Risk Management in Insurance Sector 15-50 5. Other facets of Risk Management 50-56 6. Conclusion and Suggestions. 56-57 7. Bibliography 58-59