

RISK MANAGEMENT

DEFINITION

Risk management is the process of evaluating the chance of loss or harm and then taking steps to combat the potential risk.

Risk Management is a process

- ✓ Uses Human and Physical Resources
- ✓ To Accomplish certain objectives
- ✓ Concerning most pure loss exposures.

RISK MANAGEMENT

If a loss is certain to occur

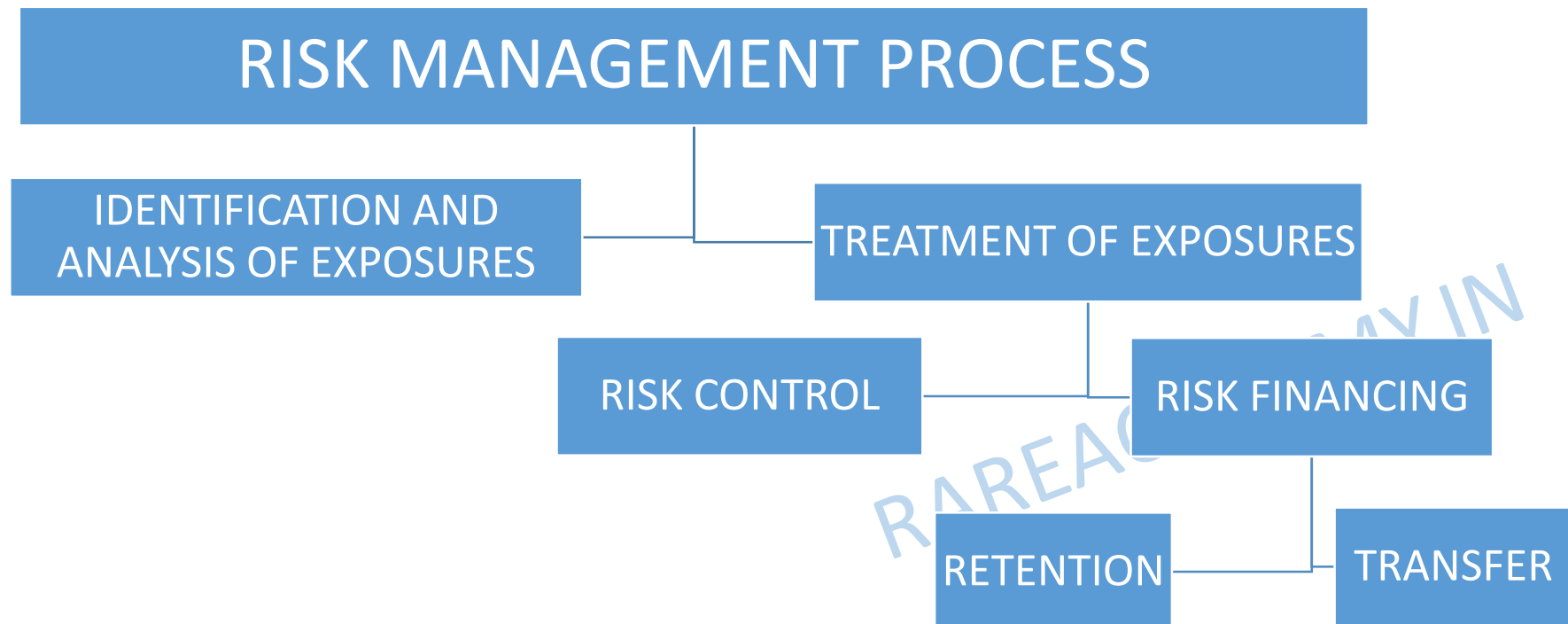
It may be planned for in advance and treated as a definite (expense)

Uncertainty about the occurrence of a loss

Then it has to be managed to reduce the probability of loss.

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STRUCTURE OF RISK MANAGEMENT



OBJECTIVES OF RISK MANAGEMENT – PRE LOSS

ECONOMY

- Happenings in Economical ways consistent with post-loss goals
- COST OF LOSS

REDUCE ANXIETY

- Reduce anxiety /fear / uncertainty created due to uncertainty and costs

MEETING EXTERNAL OBLIGATIONS

- Accomplish responsibilities imposed by others
- Maintain collaterals
- SOCIAL RESPONSIBILITY

OBJECTIVES OF RISK MANAGEMENT – POST LOSS

SURVIVAL



CONTINUITY OF OPERATIONS



STABILITY OF EARNINGS



CONTINUED GROWTH



SOCIAL RESPONSIBILITY

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PERSONAL RISK MANAGEMENT

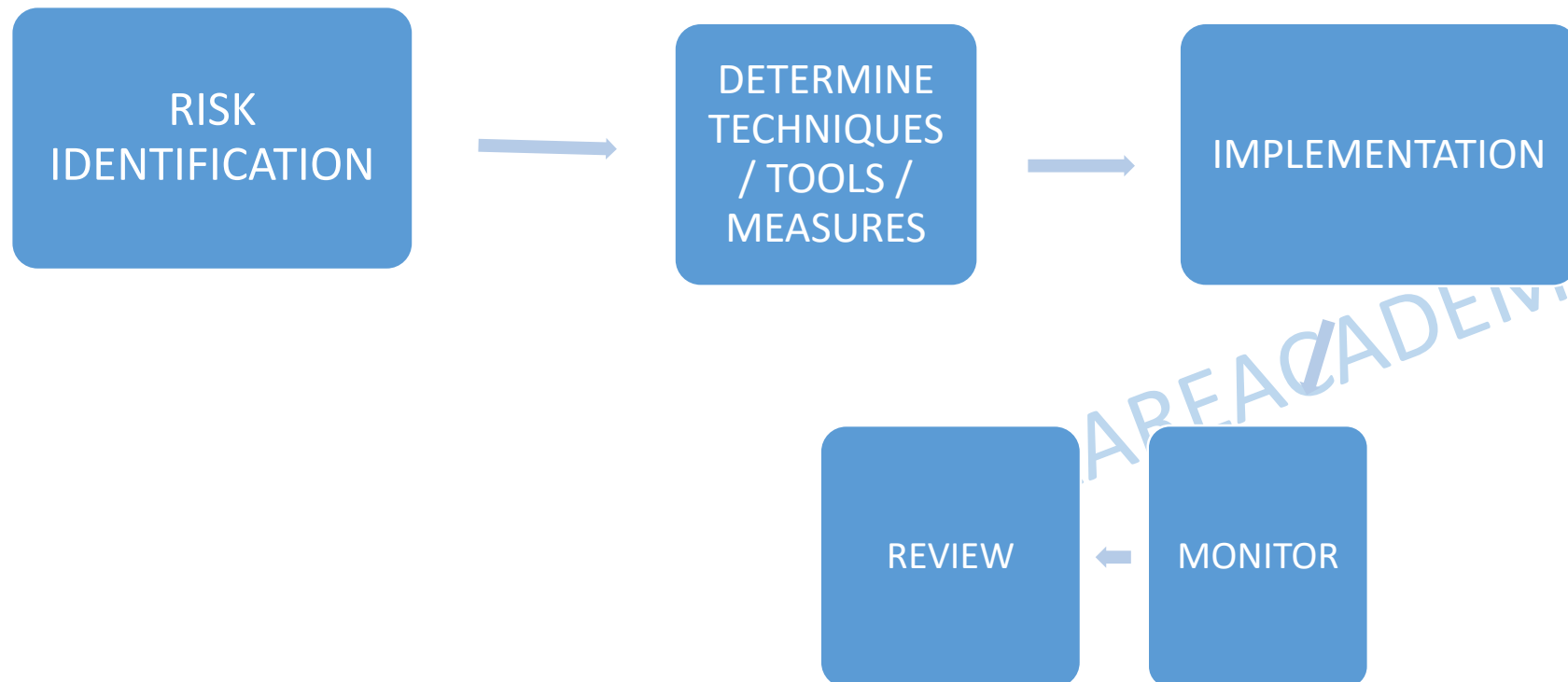
Personal Risk Management is applying Risk Management Principles to the needs of Individual Customers.

TYPES OF RISK MANAGEMENT

- ✓ Financial Risk
- ✓ Business Risk
- ✓ Credit Risk
- ✓ Liquidity Risk
- ✓ Operational Risk
- ✓ Market Risk

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STEPS IN RISK MANAGEMENT



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RISK CONTROL

- Risk Control is to a method to evaluate potential losses and act upon them to reduce or eliminate such threats.

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RISK CONTROL METHODS

AVOIDANCE

LOSS
PREVENTION

LOSS REDUCTION

DIVERSIFICATION

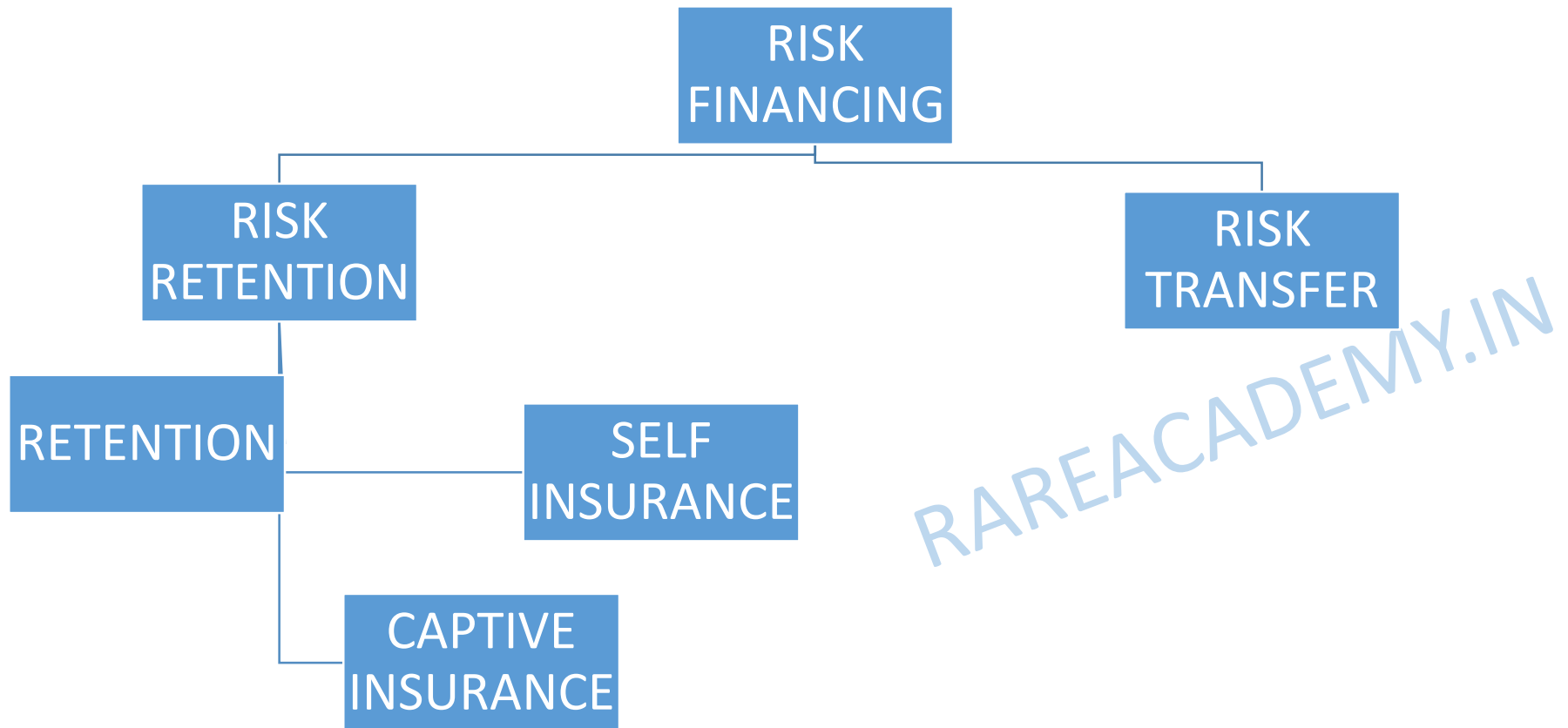
DUPLICATION

LOSS
SEPARATION /
SEGREGATION

RISK FINANCE

- Generating funds to pay for losses that risk control techniques do not entirely prevent.
- Obtain funds to restore the assets at least possible cost
- Assure post-loss financial resource availability

RISK FINANCE TECHNIQUES



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RISK RETENTION

- Current expensing of a loss
- Unfunded loss reserve
- Funded loss reserve
- Borrowed Funds
- Self – Insurance
- Captive Insurance (Single Parent, Group Captives)

RISK TRANSFER

- NON-INSURANCE
- INSURANCE

COST OF RISK (COR)

The value of all risks (internal & external) faced by an organisation in fulfilling its mission objectives.

RISK CLASSES

- PREFERRED
- STANDARD
- RATED
- POSTPONED
- DECLINED

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INSURANCE UNDERWRITING

- Insurance underwriting is the process of evaluating the risks to determine if it is profitable for the insurance company to take on the risk for a set price (the insurance premium charged for the risk).
- Underwriting is a process by which insurability of risk is evaluated, which assists in taking decisions regarding acceptance or rejection of the risk.
- The person who underwrites is called as UNDERWRITER.

PROCESS OF UNDERWRITING

SELECTION OF RISKS



CLASSIFICATION & RATING

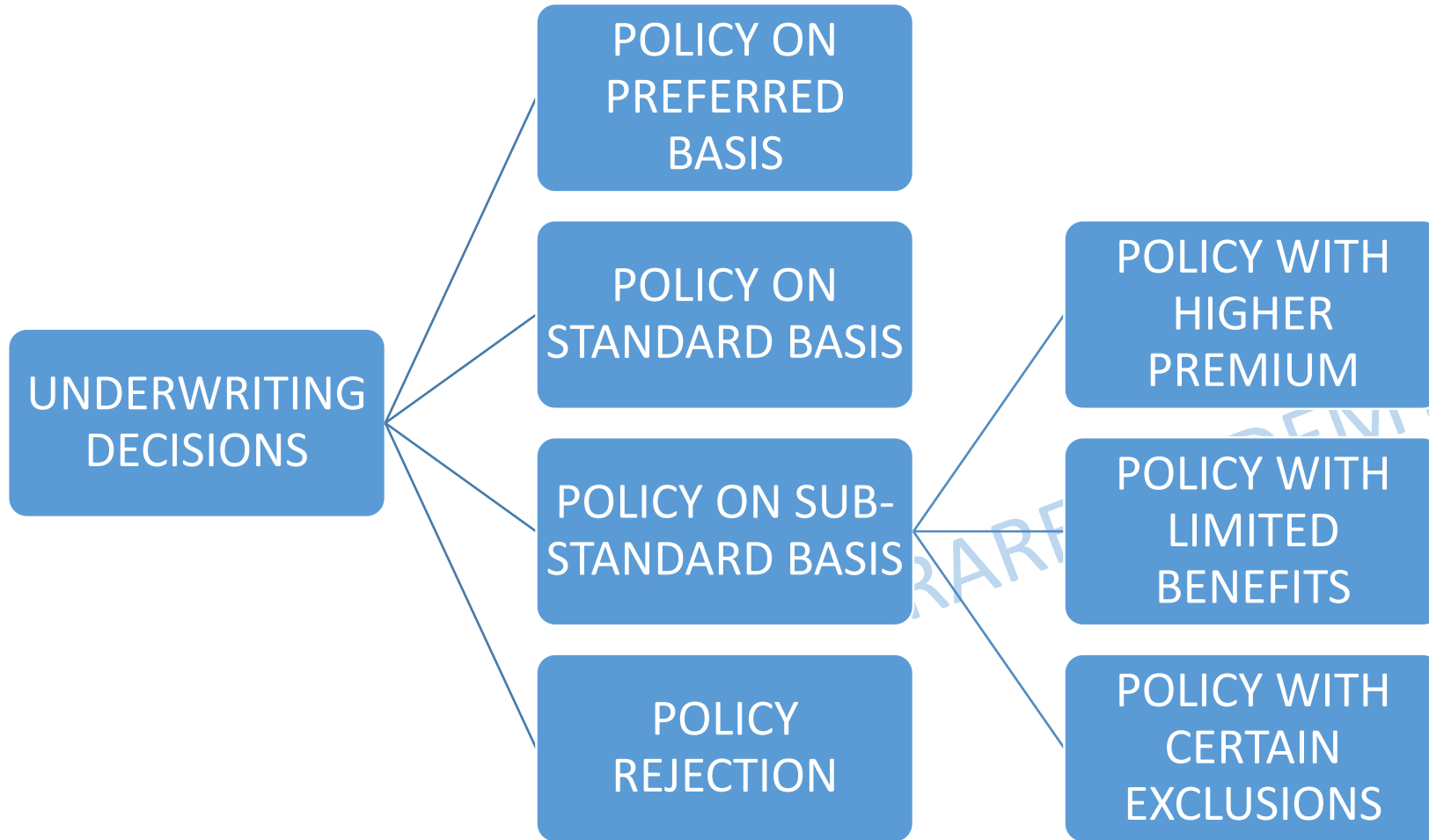


POLICY FORMS

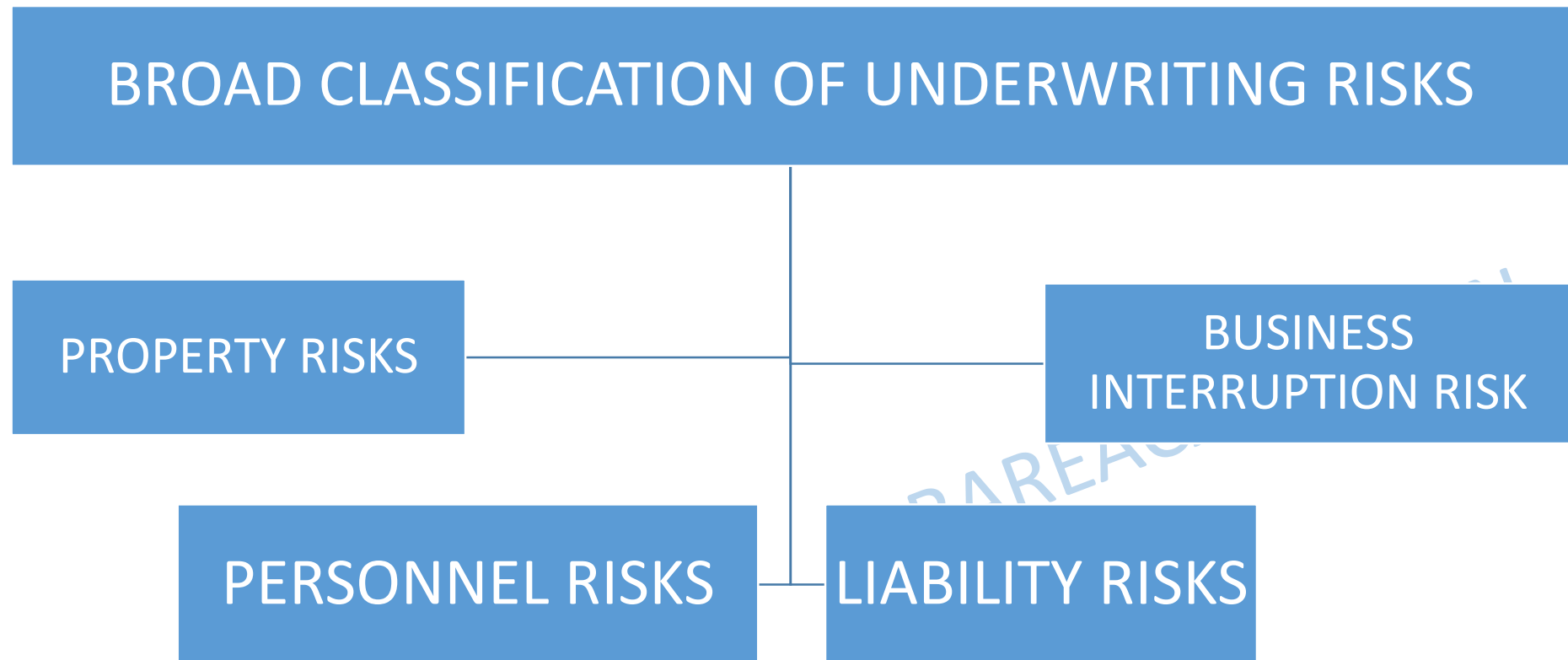


RETENTION AND REINSURANCE

UNDERWRITING DECISIONS



CLASSIFICATION OF UNDERWRITING RISKS



INSURANCE UNDERWRITING

- Underwriting of New Business

- Underwriting of Renewal Business

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