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| **SESSION** | **july-aug 2024** |
| **PROGRAM** | **MASTER OF BUSINESS ADMINISTRATION (MBA)** |
| **SEMESTER** | **IV** |
| **course CODE & NAME** | **DFIN404 INSURANCE AND RISK MANAGEMENT** |
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**1. How Did the Reforms in the Indian Insurance Industry Take Place and What Were Their Impacts?**

**Ans 1.**

The Indian insurance industry has undergone significant reforms over the past decades, transitioning from a heavily regulated and monopolistic environment to a liberalized and competitive market. These reforms were implemented in phases, starting with the nationalization of insurance companies and later liberalization to encourage private sector participation.

**Pre-Reform Phase**

Before reforms, the insurance industry in India was dominated by the public sector. Life insurance was monopolized by the Life Insurance Corporation of India (LIC), established in 1956, while general insurance came under the control of four public sector companies after

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**2. Mention the Major Factors Influencing the Key Functioning of Insurance Organizations**

**Ans 2.**

Insurance organizations operate in a complex environment influenced by various internal and external factors. These factors determine their ability to design policies, manage risks, and ensure profitability while meeting regulatory and customer requirements.

**1. Regulatory Environment**

The regulatory framework, primarily governed by the IRDA in India, is critical to the functioning of insurance organizations. Regulations dictate product design, pricing, solvency

**3. Write an Explanation for the Coverages under a Standard Fire and Special Perils (SFSP) Policy**

**Ans 3.**

The Standard Fire and Special Perils (SFSP) Policy is a fundamental insurance product that provides coverage against losses or damages caused by fire and other specified perils. This policy is widely used by individuals and businesses to safeguard their assets, such as buildings, machinery, stock, and household contents, against unforeseen events.

**1. Coverage Against Fire**

The primary coverage under an SFSP policy is for losses caused by fire. Fire must result from accidental, sudden, or uncontrollable causes. It does not include damages due to intentional

**4. Explain the Need for Underwriting in Life Insurance Along with Its Functions**

**Ans 4.**

Underwriting is a critical process in life insurance, serving as the backbone for assessing and managing risks associated with issuing policies. It ensures that the insurer evaluates and accepts risks that align with their financial capacity and operational goals. Underwriting is essential to maintain the financial stability of life insurance companies and protect the interests of

**5. Write in Brief on the Principles of Insurance Pricing. Also, Mention the General Objectives That Must Be Achieved in Pricing General Insurance Products.**

**Ans 5.**

Insurance pricing, also known as actuarial pricing, is the process of determining the premiums that policyholders must pay to ensure the insurance company can cover its liabilities while remaining profitable. This process is rooted in several core principles and aligned with objectives that ensure fairness, profitability, and customer satisfaction.

**Principles of Insurance Pricing**

**Risk Assessment** Insurance pricing is based on the principle of risk evaluation. Actuaries and

**6. Describe the Three Key Elements in Any Reinsurance Contract. Also Mention the Benefits of Reinsurance.**

**Ans 6.**

Reinsurance is a critical mechanism in the insurance industry that allows insurers to transfer part of their risk portfolio to other insurers, known as reinsurers. This process reduces the risk exposure of the original insurer and ensures financial stability, especially in times of catastrophic events. A reinsurance contract typically consists of three key elements and provides several benefits to the insurance industry.

**Three Key Elements in Any Reinsurance Contract**

**Risk Transfer**

The primary purpose of reinsurance is the transfer of risk from the ceding insurer (the original